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Statement of Federal Reserve notes by denominations, printed, shipped to Federal Reserve Agents, and on hand in reserve vault, Dec. 31, 1915—Continued.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Dallas:						
Printed.....	\$9,200,000	\$7,000,000	\$5,780,000	\$1,400,000	\$1,600,000	\$24,980,000
Shipped.....	5,900,000	6,360,000	5,520,000	1,400,000	400,000	19,580,000
On hand.....	3,300,000	640,000	240,000	.....	1,200,000	5,380,000
San Francisco:						
Printed.....	14,000,000	10,600,000	5,200,000	1,600,000	3,600,000	35,000,000
Shipped.....	4,160,000	2,760,000	1,680,000	600,000	2,000,000	11,200,000
On hand.....	9,840,000	7,840,000	3,520,000	1,000,000	1,600,000	23,800,000

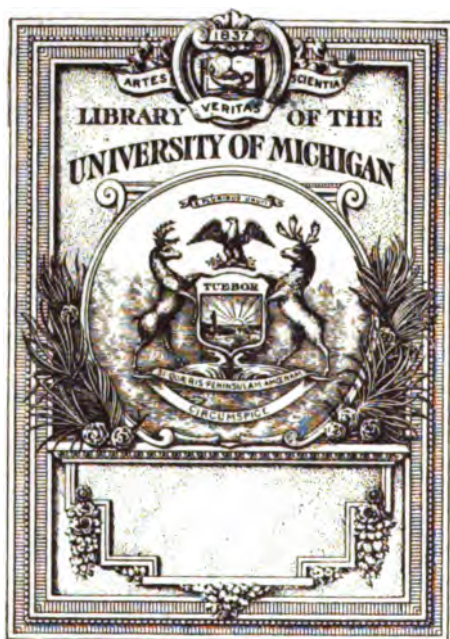
VAULT BALANCE, DEC. 31, 1915.

Total printed.....	\$265,600,000	\$249,040,000	\$118,000,000	\$27,000,000	\$45,200,000	\$704,840,000
Total shipped.....	98,600,000	95,320,000	50,320,000	11,400,000	14,400,000	270,040,000
Total on hand.....	167,000,000	153,720,000	67,680,000	15,600,000	30,800,000	434,800,000

Federal Reserve notes by denominations issued through the Federal Reserve Agents to the banks, also the amounts retired and outstanding, Dec. 31, 1915.

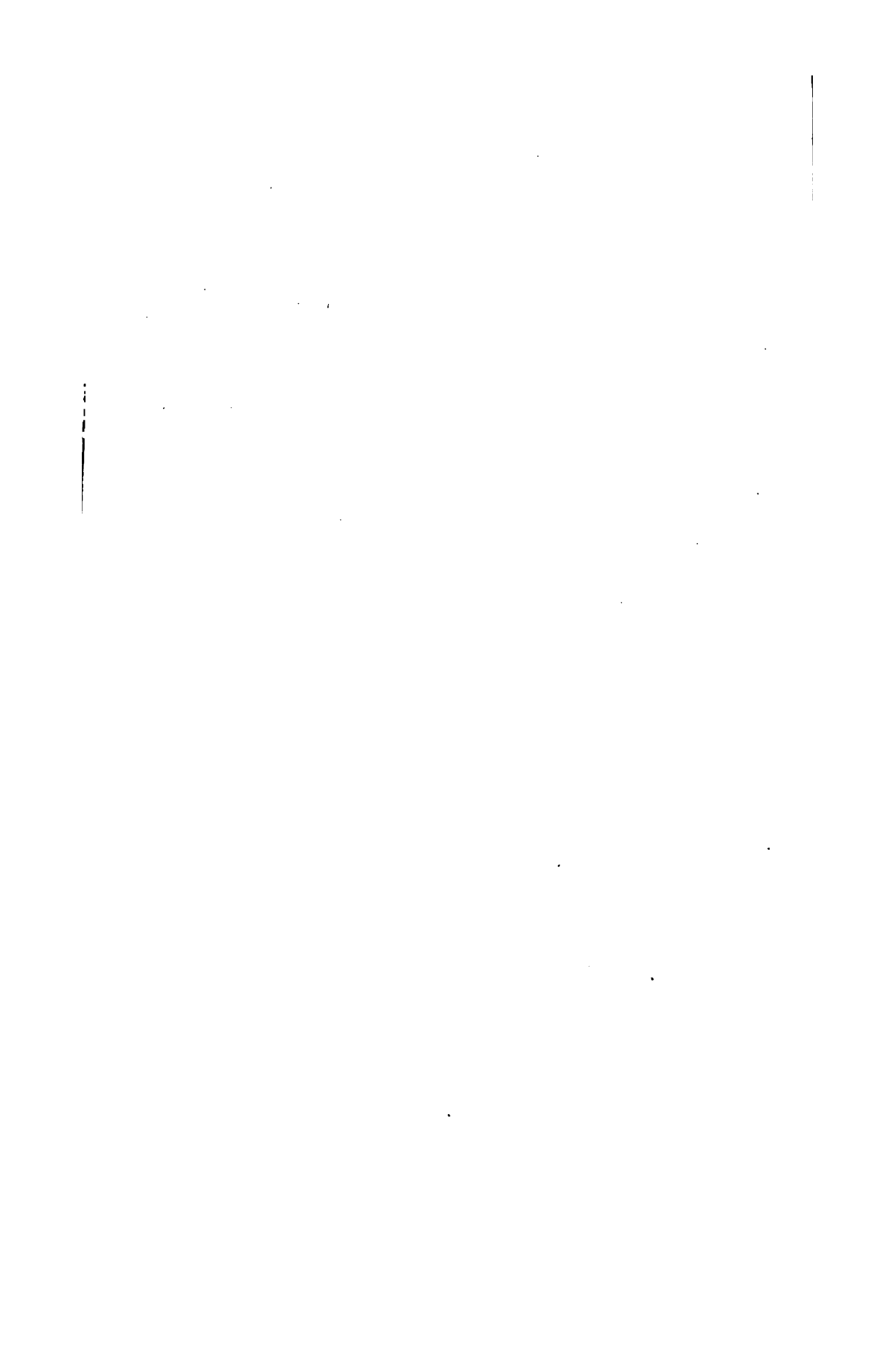
Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston:						
Issued.....	\$3,620,000	\$4,680,000	\$640,000	\$600,000	\$680,000	\$10,520,000
Retired.....	260,000	210,000	.....	10,000	20,000	500,000
Outstanding.....	3,360,000	4,470,000	640,000	590,000	660,000	10,020,000
New York:						
Issued.....	35,600,000	36,160,000	12,080,000	1,600,000	4,800,000	90,240,000
Retired.....	.....	.....	800,000	.....	.....	800,000
Outstanding.....	35,600,000	36,160,000	11,280,000	1,600,000	4,800,000	89,440,000
Philadelphia:						
Issued.....	3,840,000	3,880,000	2,080,000	.....	.....	9,800,000
Retired.....	529,000	111,000	.....	.....	.....	640,000
Outstanding.....	3,311,000	3,769,000	2,080,000	.....	.....	9,160,000
Cleveland:						
Issued.....	2,120,000	3,280,000	4,400,000	750,000	530,000	11,080,000
Retired.....	35,000	25,000	20,000	.....	.....	80,000
Outstanding.....	2,085,000	3,255,000	4,380,000	750,000	530,000	11,000,000
Richmond:						
Issued.....	4,680,000	4,990,000	4,680,000	1,650,000	670,000	16,680,000
Retired.....	110,000	200,000	340,000	280,000	140,000	1,050,000
Outstanding.....	4,580,000	4,790,000	4,340,000	1,390,000	530,000	15,630,000

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FIRST ANNUAL REPORT
OF THE
FEDERAL RESERVE BOARD



FOR THE PERIOD ENDING
DECEMBER 31

1914



WASHINGTON
GOVERNMENT PRINTING OFFICE
1915

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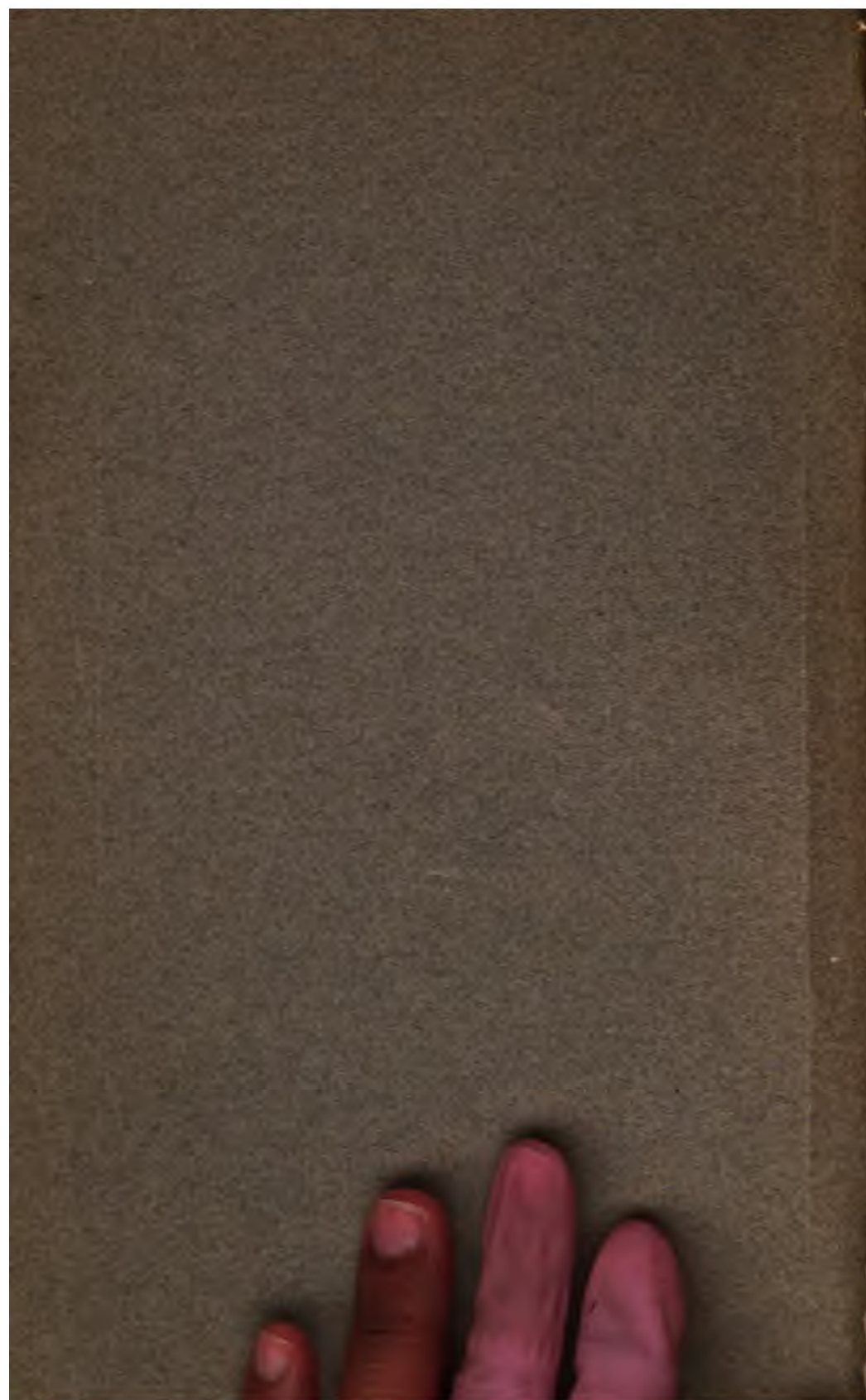
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WASHINGTON
GOVERNMENT PRINTING OFFICE
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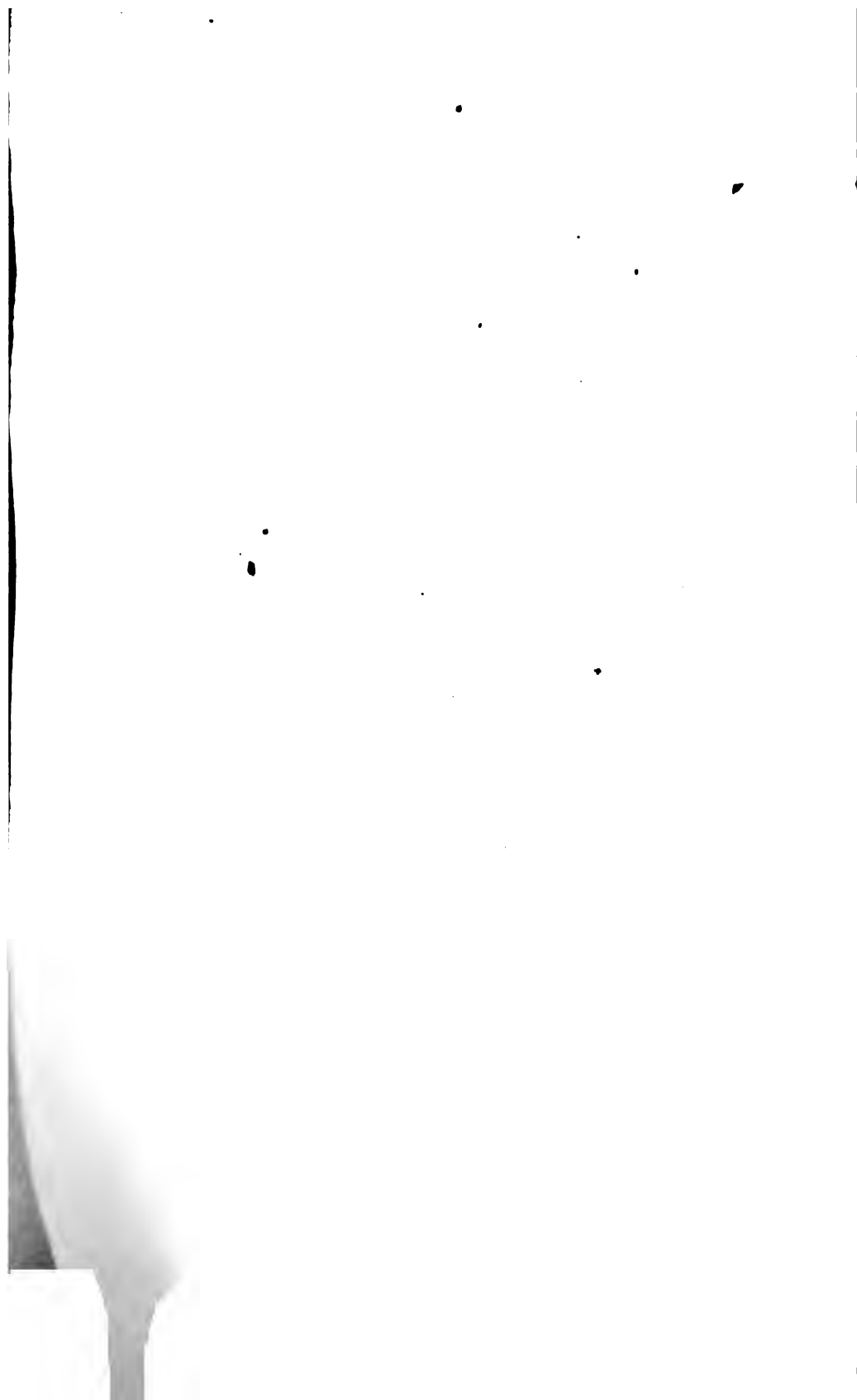


CONTENTS.

	Page.
Text of report.....	5-23
Letter of transmittal.....	5
Early problems of the Board.....	6
Election of directors.....	7
Purchase of commercial paper.....	8
Discount policy.....	10
Readjustment of reserves.....	11
Gold exchange fund.....	12
Cotton loan fund.....	14
Currency situation.....	15
Open market operations.....	16
Place of Reserve Banks.....	17
Clearing of checks.....	19
Admission of State banks.....	20
Federal Advisory Council.....	20
Administration.....	21
Expenses of the Board.....	22

EXHIBITS.

Exhibit A. Federal reserve act.....	25
B. Amendments to Federal reserve act passed by Congress.....	44
C. Organization of the Federal Reserve Board and of Federal Reserve Banks.....	46
D. Attorney General's opinion on status of Federal Reserve Board....	54
E. Circulars and regulations of Federal Reserve Board, including gold fund plan.....	57
F. Federal advisory council.....	185
G. Officers and directors of Federal Reserve Banks.....	185
H. Convention of Federal Reserve Bank directors.....	190
I. Appeals from decision of Federal Reserve Bank Organization Committee.....	192
J. Federal reserve notes issued to date.....	194
K. Consolidated and individual statements of Federal Reserve Banks.....	195
L. How reserves were paid in.....	198
M. Changes in discount rates of Federal Reserve Banks.....	203
N. Cotton loan plan.....	206
O. Decision of the Reserve Bank Organization Committee, determining the Federal reserve districts.....	210



ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

FEDERAL RESERVE BOARD,
Washington, D. C., January 15, 1915.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: Less than six months have elapsed since the Federal Reserve Board entered upon its duties, but so much of fundamental importance and interest has taken place in the transformation of our banking system during this period that it seems advisable not to delay for a twelvemonth the report which, under the terms of section 10 of the Federal reserve act, this Board is required annually to present.

The first steps, particularly the fundamentals of the regional structure of the new system, had already been provided for by the Reserve Bank Organization Committee when the members of this Board took the oath of office on the 10th of August, 1914. The country had been divided into 12 districts and in each of these districts a city had been designated by the Reserve Bank Organization Committee as the location for a Federal Reserve Bank. Some dissatisfaction with the conclusions of this committee had been expressed by affected districts, but this Board, though fully alive to the vital bearing which the proper districting of the country would have upon the successful operation of the Federal Reserve System, thought it best to postpone a consideration of this question in order not to delay the organization of the Federal Reserve Banks. This decision was confirmed by recognition of the extraordinary conditions then obtaining throughout the country and the urgent need of bringing to the relief of the business and banking community in a time of great financial stress the facilities of the new banking system. The Board accordingly addressed itself with energy from the very beginning to the further steps to be taken in preparation for an early launching of the new system.

The difficulties of the undertaking were of course greatly aggravated by the economic disturbances occasioned by the European war which extended to every part of the country and fear was expressed by many that the new system could not safely be put into operation before the 1st of January, 1915. Nevertheless, conditions were so far controlled and steadied by the series of unusual relief measures described below, and the work of organization was so far advanced that the Board on October 26 issued notice to the member banks of the Federal Reserve System calling upon them to pay in their first installment of capital stock as of date of November 2. At about the same time the Secretary of the Treasury, acting under the authority conferred upon him by section 19 of the Federal reserve act, fixed November 16 as the date for opening the Federal Reserve Banks and for readjusting the reserves of the member banks in accordance with the new requirements established therein.

The work of the Board may therefore be divided for the purposes of review into two periods: (1) previous to November 16, covering the preliminary steps in the organization of the new system, together with such incidental, though highly important responsibilities as were assumed by the members of the Federal Reserve Board in the effort to deal with the grave situation precipitated by the European war; (2) from November 16 to date, covering the early operations of the several Federal Reserve Banks.

EARLY PROBLEMS OF BOARD.

The condition with which the Board was confronted when it began its work on the 10th of August had such a considerable bearing upon the policy pursued that it is well worthy of further notice. Seldom, if ever, has the banking and business community of the country found itself in a situation of such uncertainty and perplexity. The outbreak of hostilities in Europe led immediately to a serious rupture of international financial relationships, not only in the affected areas of Europe, but throughout the whole commercial world. The United States was directly and profoundly affected by the suspension of communication with Europe, involving as its most serious consequences the temporary breaking down of the export trade and the collapse of the financial markets, with resulting shock to the credit system. There had been extraordinary efforts on the part of European holders of American securities to realize by sales in the New York market. The securities markets were badly demoralized, prices fell with alarming rapidity, and the country was exposed to a serious and disastrous drain of gold.

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The whole situation demonstrated afresh, and to a striking degree, the dependence of our banking system upon the call-loan market because of the large proportion of the country's banking reserves which were invested in call loans protected by stock-exchange collateral. Stock exchanges throughout the country closed, and call loans were thus made unavailable. Emergency currency was issued by the Secretary of the Treasury and clearing-house certificates in large volume were issued by clearing-house associations in the principal financial centers. Moreover, the tendency to hoard cash, frequently experienced in former periods of stringency, was again being manifested by country banks, some of which curtailed accommodation to an extreme degree, thereby adding greatly to the embarrassments of their customers and city correspondents. Much doubt was expressed as to the ability of borrowers to meet their maturing obligations, securities of high grade were unmarketable, while a situation existed in the foreign-exchange market which was altogether unprecedented. The conditions thus briefly outlined created an impression of profound alarm throughout the business community and gave rise to frequent expressions of the belief that the organization of the reserve system should be deferred until the return of more normal conditions, both for the success of the system and in order that the existing situation might not be complicated and aggravated by the injection of new and incalculable elements into it.

The board immediately after taking office undertook as nearly as possible to ascertain the exact basis for this view and secured from

a great variety of sources expressions of opinion with reference to the policies that would best be pursued in the face of the situation. Fruitful and interesting as these expressions were, there was nevertheless so much diversity of opinion that the Board in the end found that it would have to be guided by its own estimate of conditions and its own judgment as to the course to be pursued. As the result of the most careful analysis that it could make, it concluded to proceed forthwith with the organization of the new banks—that is, as early as was consistent with their stability and efficiency—and with the selection of competent operating staffs. The Board was also, however, firmly of the opinion that in undertaking thus early to establish the Federal Reserve Banks it would be necessary to enlist the hearty cooperation of all the member banks in two matters which were deemed of fundamental importance: (1) payment by the member banks in gold out of their own vaults of the reserves they were required to contribute to the new banks, thus diffusing the burden of providing the cash resources of the Federal Reserve Banks; (2) the adoption of a discount policy which would prevent the accumulated strength of the banks from being dissipated and protect their resources from being used to finance operations not calculated to add to the strength or solidity of general banking conditions.

CHOICE OF DIRECTORS.

Before the banks could be set in actual operation, however, it was necessary for the Board to complete the organization prescribed in the Federal reserve act by the appointment of three Government directors in each of the several institutions. Pursuant to the requirements of law, the Reserve Bank Organization Committee, consisting of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, had already taken preliminary steps, resulting in the election by the banks of six directors in each Federal reserve district, and the results of these elections were reported to the Federal Reserve Board upon its organization.

There remained to be appointed by the board three Government directors for each district, the first of whom was to be designated Federal Reserve Agent and Chairman of the board of directors, the second as Deputy Reserve Agent and Vice-Chairman. Particular importance was felt to attach to the choice of all the Government directors, and especially of the Federal Reserve Agents. The Federal reserve act specifically designates the Federal Reserve Agent as the representative of the Federal Reserve Board at the bank to which he is accredited, and invests him with very large responsibilities. It was not, in the opinion of the Board, the intent of the act to constitute the Federal Reserve Agent the operating head of the bank, but, rather, that he should be vested with the function of promoting the general interests and purposes of the system, assuring himself and this Board of the sound and impartial administration and efficient operation of the bank to which he was accredited, and giving both to the Federal Reserve Board and to the executive officers and his fellow directors of the bank, over whom he had been appointed Chairman, the benefit of his advice and knowledge. The office is undoubtedly one which calls for exceptional qualifications, and is, therefore, difficult to fill, since by the very terms of the act, "tested banking ex-

perience" is made a prerequisite, while consideration for the general welfare of the bank's administration requires that the incumbent be a man of solidity, independence, and tried character.

Believing that the choice of the Government directors was a matter of fundamental importance and that errors made in their selection would produce serious consequences in the later working of the banks, the Board deemed it essential to scrutinize every name submitted for appointment or suggested from any source, with the utmost care. The process was one which required time and necessitated visits by members of the Board to various and distant parts of the country, as well as the invitation of competent advisors to Washington for consultation. As the outcome of these investigations and deliberations, the Board announced to the public at different dates early in October the three selections made for Government directors for each of the reserve banks, or 36 in all.

In Exhibit G, hereto attached, will be found a complete list of the directors of the Federal Reserve Banks.

In order to obtain persons of satisfactory banking experience, as required by law, it was found necessary to give to Federal Reserve Agents salaries commensurate with, or approximating, those prevailing in the banking community in each district for men of similar attainments, abilities, and experience. In a number of cases it was found possible to attract to the service of the Reserve Banks men of high qualifications at a rate of compensation substantially lower than they had been receiving or were in a position to obtain. The action of the appointees in accepting office on short notice and at the compensation established was the more to their credit in that in not a few cases it was necessary for them to incur substantial financial sacrifice because of the unfavorable conditions under which they were obliged to dispose of their holdings of bank stock, the Federal reserve act making it mandatory that each Federal Reserve Agent and each director of Class C should divest himself of ownership of this class of securities. A list of the compensation thus established for each Federal Reserve Agent, as well as a list of salaries of governors of reserve banks submitted to the Federal Reserve Board by the several member banks and approved in accordance with law, is herewith submitted as a part of Exhibit G.

As soon as the directors of the several banks had been chosen, they proceeded to select the nucleus of a suitable staff, in order that the banks might be ready to begin active operations when qualified to do so. The Board particularly enjoined upon them the choice of a suitable chief executive officer in each institution, with the suggestion that this officer be given the title of governor in order to differentiate his functions from those of the president of a member bank. A tentative plan of organization, which has been approximately conformed to in the establishment of each bank, was, moreover, suggested, and is hereto attached as part of Exhibit C.

PURCHASE OF PAPER.

Recognizing that, in view of the urgent character of the situation regarding the establishment of the banks, it was not possible to formulate in advance of their opening a complete set of regulations with reference to their conduct and operation, the Board determined to confine itself in the beginning to those matters which were

deemed absolutely essential to setting the banks in motion upon a basis of reasonable efficiency. It was felt that the regulations relating to discount operations and commercial paper in general were fundamental and that they should be prepared and issued at once. The result was the preparation of a letter addressed to all Federal Reserve Agents, sent to them under date of November 10 as Circular No. 13, in which the board set forth its views with reference to the policy deemed advisable to be followed by the banks in the beginning. It was recommended that the Federal Reserve Banks confine themselves strictly to dealings in short-term, self-liquidating paper growing out of commercial, industrial, and agricultural operations, in the restricted senses of the terms, and that particular care be taken not to discount or purchase paper which had been issued primarily for the purpose of providing capital investment for any business. In Exhibit E, hereto attached, is given a complete file of the regulations and circulars thus far issued by the Federal Reserve Board. The full text of Circular 13, aforesaid, with the accompanying regulations, will be found in its proper place in this exhibit.

As already noted, it was deemed essential that, so far as possible, the capital and reserves to be paid into the Federal Reserve Bank at the time of organization should be taken from its own vaults by each of the contributing member banks. Inasmuch as the act provided that the capital should be paid in gold or gold certificates, it was to be expected that the bulk of such payments would, in any event, be made from the vaults of the member banks. Reserves, however, might of course be paid in any form of lawful money and the act itself had expressly provided that one-half of the reserve installments might be received by the Federal reserve banks in the form of rediscounted paper. It was, therefore, thought proper to appeal to the sense of common interest and spirit of cooperation of the member banks, in order to induce them to refrain from establishing reserves through some means other than that of a direct deposit of cash from their own vaults, and to pay in, so far as possible, the sums that were due from them to the Federal Reserve Banks on reserve account in the form of gold or gold certificates. With this in mind, the Board transmitted to the member banks on October 28 a circular (No. 10) in which the banks were advised and urged to make their payments in gold or its equivalent taken from their own vaults. As a special inducement, the Federal Reserve Banks were authorized to pay the express charges upon cash amounts thus remitted to them by member banks.

There was, of course, at no time any provision of law prohibiting member banks from drawing upon their correspondent banks for the means wherewith to make these payments, but it was believed that they would be willing to forego the exercise of this right and events fully justified this belief.

On Monday, the 16th of November, the date already fixed by the Secretary of the Treasury, as above indicated, the new banks opened their doors for business. The statement issued on the following Saturday showing the condition as of the evening previous, indicates how fully the member banks had complied with the reserve suggestions that had been made to them.

The statement referred to will be found tabulated, with the succeeding weekly statements issued by the board in accordance with

law, in Exhibit K, hereto attached, and from it will be seen that, at the end of the first week's operations, there had been paid into the reserve banks a total of \$227,880,000, of which a very large percentage was either in gold or gold certificates. It should be added that this great transfer of funds was accomplished without the slightest danger or halt to business, and without any inconvenience to the banking community. Subsequent to the payment of the reserves, inquiry was made of each Federal Reserve Agent regarding the method of paying reserves adopted by each bank. The results of this inquiry are presented in tabulated form in Exhibit L.

As has already been observed, doubt had been expressed in various quarters whether it would be practicable to open the new banks before the new year. There was also criticism in some quarters because they were not opened earlier than they actually were. The fact is that the banks were opened at the earliest practicable moment. Events have since shown that the opening of the institutions was wisely timed to synchronize with the restoration of activity in our export trade. Subsequent development showed that it was possible for the Federal Reserve Banks to begin business with substantially the whole of their reserve deposits in gold and without pressure on general business or credit conditions.

DISCOUNT POLICY.

With the system thus established, the question of a discount policy immediately became urgent. The board had been appealed to by the authorized representatives of the several Federal Reserve Banks for some 10 days prior to the official date set for the opening of the institutions, to make suggestions to them with regard to their discount policy, for it was generally appreciated that the adoption of a fairly uniform and consistent policy to be pursued by all the banks would go far to insure the smooth working of the system. Under the provisions of paragraph (d) of section 14 of the Federal reserve act, the Federal Reserve Board is authorized to review and determine the rates of discount to be charged by each Federal Reserve Bank. The act gives power to each bank:

To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business.

In response to a telegraphic inquiry, each bank submitted its views with respect to the rate of discount thought to be advisable for its district. Upon tabulation and comparison of these results it was found that they did not vary greatly, the rates ranging from 5 to 7 per cent for 90-day paper. A study of the existing state of affairs satisfied the Board that at the start and until the banks could get a firm footing it should act with prudence and conservatism, and it was consequently voted to fix the rates of discount at from $5\frac{1}{2}$ to $6\frac{1}{2}$ per cent. The rates thus initially established were subsequently lowered from time to time upon application by the respective banks, the lowest rate thus far approved being $4\frac{1}{2}$ per cent for 30-day paper. A complete tabulation of all rates of discount thus approved for each of the banks will be found in Exhibit M, hereto attached.

READJUSTMENT OF RESERVES.

Reference may be made to another feature of the Federal reserve act in connection with the money market conditions prevailing at the time. Section 19 of the Federal reserve act provided for a readjustment of member bank reserves upon a new and lower basis, cutting the percentage of required reserves in central reserve cities from 25 to 18 per cent of outstanding demand deposits and 5 per cent of outstanding time deposits, the required percentage in reserve cities from 25 to 15 per cent demand deposits and 5 per cent of time deposits, the percentage of reserve in country banks from 15 to 12 per cent of demand deposits and 5 per cent of time deposits. This readjustment by the terms of the law took effect immediately upon the establishment of the new banks, i. e., on November 16. From the beginning of the war in Europe there had been an abnormal reserve situation in most of the financial centers, New York banks particularly being most of the time considerably below their reserve requirements because of the heavy drafts made upon them by interior banks and by the public.

The change in reserve requirements, however, brought a material change in this condition and released, not only in New York but throughout the country, a very considerable amount of funds which had previously had to be held idle by the banks in order to bring or keep themselves within the requirements of the law. Precisely what amount of reserves was thus released throughout the country has not been accurately estimated and probably can not be, owing to the fact that reserve accounts in the existing system of correspondent banks are so closely and complexly intertwined. It is, however, an undoubted fact that the release of actual cash was very large and that the increase of lending power on the part of member banks was correspondingly larger. Member banks were thereby enabled to extend loans to their customers very much more freely, with a commensurate decline of discount rates as a consequence. While hesitation in making loans was shown by many of the banks during the weeks preceding November 16, and the prevailing rates on commercial paper did not go below 6 per cent in New York, and averaged considerably higher in many parts of the country, the opening of the reserve system enabled the banks in the larger centers, in view of the very great relief given to them through the release of reserves, to reduce this rate, and within two weeks after the new banks had come into existence prevailing interest rates for the best paper fell as low as 3½ and 4 per cent, while bank acceptances (which had been legalized by the Federal reserve act) were marketed at a still lower rate. In some parts of the South banks were able to obtain accommodation at rates as low as 4½ per cent, and in certain instances lower rates have been reported.

The reduction of reserve requirements was only a part, however, of the beneficial effects of the new system. Appreciation of the fact that when the new lending power should all have been absorbed there would still remain the great credit potentialities of the Federal reserve banks, furnished a basic element of confidence which helped to lower the abnormally high rate of interest that had existed.

When the financial anxiety which prevailed during the latter part of the past summer and the difficulty which was then experienced in getting banking accommodation at reasonable rates, even upon

security of undoubted solidity, are recalled, the substantial improvement which has taken place since becomes evident and is a remarkable tribute not only to the recuperative power of American commerce and industry but also and largely to the beneficial operation of the new banking system. Those whose habit it is quickly to forget the past, may think that this swift recovery was something automatic, but the most casual survey shows that it was the added strength brought to our banking organization through the establishment of the new system that has made possible the notable reduction in interest rates which began in the latter part of November.

Because of the greater ease and material relief thus afforded the member banks, they were easily able to meet the demands of their customers from their own resources or those of their correspondents, and there was consequently little occasion to resort to the Federal reserve banks for accommodation. It was therefore considered safe to reduce the discount rate of Federal reserve banks, and reductions were successively made upon application until the low point was reached on December 23, when a rate of $4\frac{1}{2}$ per cent for 30-day maturities was approved for the Federal reserve bank of New York. Corresponding reductions were subsequently approved for other Federal Reserve Banks.

It should, in a word, be emphasized that the effect of the Federal Reserve Banks and the reserve system as a whole on discount rates is by no means fully disclosed in the rates and the transactions of the Federal Reserve Banks themselves.

GOLD EXCHANGE FUND.

At this point and in this connection, a review may suitably be made of the series of relief measures which were undertaken, and in which the Federal Reserve Board has been an active factor, for the purpose of improving and helping the situation in which the country found itself in the weeks and months preceding the establishment of the Federal reserve banks, as a result of the European war. One of the earliest and most trying consequences of the war was the development of a highly abnormal and artificial condition in the foreign exchange market.

This situation was due essentially to the fact that a large current balance was at the time owing to Europe, foreign holdings of American securities had been placed on the market, foreign credit facilities had been withdrawn, and our export trade had suffered a serious shock from the disorganization of shipping and the breaking down of European credit machinery immediately after the outbreak of the war. Furthermore, a large amount of American securities had been issued payable in Europe, and were about to mature.

These conditions exposed our banks to a drain of gold severe enough to endanger our entire banking structure. This, on the other hand, made it difficult for those who had to discharge obligations due in Europe to procure gold or remittances at prices equivalent to the shipment of gold. The consequence was that rates for drafts and cable transfers rose to prices which were equivalent to a substantial premium on gold.

In order to cope with this extraordinary situation, it was felt that joint action on a comprehensive plan would become necessary. The

Federal Reserve Board, in conjunction with the Secretary of the Treasury, therefore, took the initiative in calling, September 4, a conference of representatives of the clearing houses of all the reserve cities. The conference had a twofold purpose. On the one hand, it sought to establish, so far as that could be done, the aggregate amount of the actual current indebtedness of the United States to Europe, and, on the other hand, to devise a means of cooperation in dealing with the situation.

The investigation undertaken by the Federal Reserve Board and the conference above mentioned disclosed the opinion that the current indebtedness of the United States to foreign countries was to be stated at approximately \$500,000,000, a sum the maturity of which was spread over a period of months. The conference also resulted in the formulation of a plan of relief. A committee of bankers appointed at this conference subsequently recommended a plan for the formation of a gold fund of \$100,000,000, which was approved by the Board on September 19, and a letter was sent to the presidents of the clearing house associations throughout the country under date of September 21, 1914, in which subscriptions aggregating this sum were asked. The Federal Reserve Board had been requested to allot the pro rata of the contributions to be made to each clearing-house district, and such allotment was made. Action upon these allotments was prompt and effective, and a total of over \$108,000,000 was subscribed.

As had been expected, the beneficial effect of the establishment of this fund became evident almost immediately, notwithstanding that only a comparatively small percentage of the amount subscribed was actually called for, and not more than \$10,000,000 was actually exported to furnish a basis for selling foreign exchange. By the time of the opening of the Federal Reserve Banks, the premium had disappeared and the danger of immediate gold exports had been removed.

At the end of September, however, there still existed a disruption of trade, the cotton market was still completely disorganized, sales and shipments of the staple had stopped, the cotton exchanges remained closed both in the United States and in England, and it appeared impossible at that time to foretell what bearing these and other abnormal conditions would have upon the future development of the balance of international payments. The desire was consequently expressed by leading bankers that means be found for discussing and further dealing with these pending problems. It was therefore suggested that a free exchange of views between representatives of Great Britain and the United States—the two countries primarily involved—would be to their mutual advantage if it could be arranged.

At the instance of the Secretary of the Treasury, an invitation was therefore extended to the British Government to send representatives to this country. The purpose of this invitation was to secure the exercise of the good offices of the two Governments concerned in bringing about a better understanding between the bankers of the two countries and the restoration as speedily as possible of normal conditions of exchange. The British Government designated Sir George Paish and Basil P. Blackett, Esq., as its representatives. These gentlemen proceeded to Washington and on October 23 held a first conference with the Secretary of the Treasury and this Board. Subsequently other conferences (some of them attended by repre-

sentatives of bankers from the main financial centers of the country) were held and the situation was discussed in great detail. Meanwhile, more normal conditions of commerce had been reestablished and negotiations which led to the adoption of the so-called cotton-loan fund plan, to which reference will be made hereafter, had produced most beneficial results. It had become possible to reopen the cotton exchanges both in the United States and in England, and the staple which has so vital a bearing upon the volume of our trade balance had begun to move from producers to consumers, both at home and abroad.

In these circumstances the occasion for further negotiations disappeared, and on January 7, 1915, it was officially announced that conditions had so far righted themselves that any further negotiations for the solution of the problems involved could be left to private initiative.

COTTON LOAN FUND.

Almost immediately after the outbreak of war, it was seen that unless hostilities should terminate within a very much shorter period than seemed likely, serious injury would be inflicted upon the cotton-producing States. As early as August 26, 1914, the Secretary of the Treasury had called a conference in Washington of representatives of cotton producers, manufacturers, bankers, merchants, and railroad men, in which the Board participated. As is well known, about 60 per cent of the total cotton production of the United States is annually sent abroad. An unusually large acreage had been planted, the season had been favorable, and a very large crop was approaching maturity. These circumstances would in any event have depressed the price of cotton, even under ordinary conditions. The closing of the cotton exchanges, both in the United States and in England was, however, precipitated by the chaotic conditions following the sudden interruption of the movement of cotton and the apprehension that, with most of the great cotton-consuming countries involved in war, a normal demand for the staple could not be expected. Prices collapsed, quotations were unobtainable, and with the markets utterly demoralized, sales were made sporadically at various points in the South at 5 cents per pound—and even lower have been reported. As the cotton planter is so largely dependent upon credit in the raising of his crop, it was necessary to provide some means of assisting him to secure such accommodations as he might require to meet the obligations he would ordinarily have provided for by the sale of his product in the open market.

Various plans of relief were brought to the attention, both of this Board and of the Secretary of the Treasury by bankers and business men, among them a suggestion for the establishment of a cotton-loan fund somewhat similar in character and management to the gold-exchange fund. Many conferences were held regarding the problem, with the ultimate result that the banks of the city of New York agreed to pledge a subscription of \$50,000,000 to such a fund, provided that an equal amount be raised through the clearing houses in other than cotton-producing States. The plan provided that to the \$100,000,000 thus to be raised should be added a further sum of \$35,000,000 to be contributed by banks in the cotton-producing States, provided that the \$100,000,000 should be called for in proportion as the \$35,000,000 should be subscribed and paid in. The

Board was asked to pass upon this plan and gave it official sanction on October 24, 1914. Details of this cotton plan will be found in Exhibit N, hereto attached.

During these negotiations the Federal Reserve Board became convinced that, as in the case of the gold fund, it would be impossible to raise the money necessary to relieve the cotton situation under any plan devised simply for the general good, unless the members of the Board, even though not acting in their official capacity, should give their support and sanction to the undertaking. While very reluctant to assume any additional responsibilities, the members of the Board, acting in their individual capacity, felt impelled by the same sense of public duty which had actuated them in the case of the gold fund to respond to the call and to act as the central committee of the cotton loan fund, being satisfied that the necessities of the case demanded such action, and that public opinion would approve this step.

The opening of the Federal Reserve Banks on November 16 released a large amount of reserve funds, thereby enabling member banks to make new loans and grant extensions which otherwise would have been impossible. It became evident that the formation of the cotton fund, like that of the gold fund, had rendered material service by restoring confidence, thus stabilizing values and establishing a basis for extension of credit on cotton as collateral. With the cotton fund at hand to supply long-time loans and with short-term credit much more freely extended by member banks in view of the reduction of their reserve requirements, it was possible for the Federal Reserve Banks to begin operations in full confidence that the provision thus made for safeguarding the situation would relieve them from undue strain, while fully protecting such cotton producers as are willing to pay a moderate rate of interest for long-time loans on cotton. As with the gold exchange fund, the help extended was largely that which comes from cooperative effort and from the knowledge on the part of the community that there is a source of assistance which may confidently be looked to. In such situations, the beneficial effects can not be measured by the actual amounts that are loaned or the tangible results that are obtained, but they are none the less real and of large consequence.

CURRENCY SITUATION.

A phase of the banking and currency situation deserves to be especially noted because of the light it throws upon the extent of the demands for circulating notes to which the Federal Reserve Banks may be subjected during their initial period of operation. As has been shown in the annual report of the Secretary of the Treasury, one immediate result of the war was the issue in many cities of clearing-house certificates. Furthermore, a large volume of emergency currency was issued by the Secretary of the Treasury, under the provisions of the act of May 30, 1908, which had been amended and extended by the Federal reserve act, and which was still further amended by Congress early in August so as to allow the freer issue of notes in the manner indicated.

The total amount of the emergency currency issued aggregated about \$380,000,000. The channels of circulation were thus filled before the end of the summer, notwithstanding the fact that large

amounts of lawful money had been withdrawn and hoarded both by banks and individuals. Under these conditions it seemed reasonably certain that the Federal Reserve Banks upon their organization would not be instantly called upon for a substantial issue of Federal reserve notes. This view was all the more justified by the fact that many banks had placed their best paper with the national currency associations as security for emergency currency, and by the further circumstance that the tax on this currency at the lower rate established by Congress would not, for several months' approximate the rate of discount which probably would be charged by Federal Reserve Banks. With the organization of the Federal Reserve Banks the pressure for note accommodation passed away almost as quickly as it had come. Gold reappeared in circulation at an early date and the retirement both of the clearing-house certificates and of the emergency currency was begun. In those cities where rates of interest on clearing-house certificates were very high, the Federal Reserve Banks materially aided the retirement of such emergency certificates.

The emergency currency issued under the act of May 30, 1908, as amended, is now being rapidly retired by natural processes. Some \$280,000,000 have already been withdrawn, thus leaving in circulation less than \$100,000,000 at the date of this report. It is expected that with the lower rates of discount now prevailing at the Federal Reserve Banks and with the continued increase in the rate of taxation to which emergency currency is made subject, there will be a gradual conversion of such currency into Federal reserve notes so far as the existing notes are not redundant. Had the Federal Reserve Banks been in operation at the beginning of August they would naturally have supplied the great volume of currency which was called for, and they would have derived the profit for the service rendered.

OPEN-MARKET OPERATIONS.

The Federal reserve act provides in section 14 for open-market operations by Federal Reserve Banks, to be engaged in whenever such employment of their free funds would appear desirable. For reasons already given, the Board did not believe that it was necessary at the outset to make provision for the exercise of these functions. As soon, however, as the first pressure connected with the establishment of the system had passed, the duty of investigating and preparing for open-market operations was taken up, and the banks were on December 18 given authority to purchase Government bonds within the limits of prudence, as they might see fit.

On December 23, copies of a tentative set of regulations relating to the purchase of certain warrants, revenue bonds, etc., issued by States, municipalities, and other political subdivisions, were likewise transmitted to the banks.

Drafts of regulations governing the purchase of acceptances in the open market have been prepared and will shortly be issued. Other open market operations will be provided for by regulation as rapidly as possible. When this has been accomplished, there will be ample employment for all funds which experience may demonstrate the Federal Reserve Banks can safely and properly invest, at times when their funds should not be absorbed in responding to strictly agricultural, commercial, or industrial demands.

PLACE OF RESERVE BANKS.

The question, however, naturally suggests itself and must be frankly faced: What is the proper place and function of the Federal Reserve Banks in our banking and credit system? On the one hand, it is represented that they are merely emergency banks to be resorted to for assistance only in time of abnormal stress; while on the other, it is claimed that they are in essence simply additional banks which should compete with the member banks, especially with those of the greatest power. The function of a reserve bank is not to be identified with either of these extremes, although occasions may arise when either of such courses may be imperative. Its duty plainly is not to await emergencies but by anticipation, to do what it can to prevent them. So also if, at any time, commerce, industry or agriculture are, in the opinion of the Federal Reserve Board, burdened unduly with excessive interest charges, it will be the clear and imperative duty of the Reserve Board acting through the discount rate and open market powers, to secure a wider diffusion of credit facilities at reasonable rates. The Federal Reserve Banks are the holders of a large part of the banking reserves of the nation, the foundation of its banking structure. Nothing should be permitted in the operation of the Reserve Banks which would weaken this foundation. The resources of a Reserve Bank, to be useful for its peculiar purposes, should always be readily *available*. It follows, therefore, that they should be mainly invested in such short-term liquid investments as can be easily converted into cash as occasion may require. This conception of a Reserve Bank, moreover, implies that its investments should be marshaled in a steady succession of maturities, so that it may at all times as nearly as possible prove equal to the situation.

The ready availability of its resources is of supreme importance in the conduct of a Reserve Bank. Only then can it become a safe and at the same time flexible instrument of guidance and control, a regulator of interest rates and conditions. Only then will it constantly carry the promise of being able to protect business against the harmful stimulus and consequences of ill-advised expansions of credit on the one hand, or against the menace of unnatural restrictions and unnecessary contractions on the other, with exorbitant rates of interest and artificial stringencies. It should at all times be a steadying influence, leading when and where leadership is requisite, but never allowing itself to become an instrument for the promotion of the selfish interest of any private or sectional group, be their aims and methods open or disguised. It should never be lost to sight that the Reserve Banks are invested with much of the quality of a public trust. They were created because of the existence of certain common needs and interests, and they should be administered for the common welfare—for the good of all.

The more complete adaptation of the credit mechanism and facilities of the country to the needs of industry, commerce, and agriculture—with all their seasonal fluctuations and contingencies—should be the constant aim of a Reserve Bank's management. To provide and maintain a fluid condition of credit, such as will make of the Reserve Banks at all times and under all conditions institutions of accommodation in the larger and public sense of the term is the first responsibility of a Reserve Bank.

It should not, however, be assumed that because a bank is a Reserve Bank its resources should be kept idle for use only in times of difficulty, or, if used at all in ordinary times, used reluctantly and sparingly. Neither should it be assumed that because a Reserve Bank is a large and powerful bank *all* its resources should be in use all the time or that it should enter into keen competition with member banks, distributing accommodation with a free and lavish hand in undertaking to quicken unwisely the pace of industry. Such a policy would be sure, sooner or later, to invite disaster. Time and experience will show what the seasonal variations in the credit demands and facilities in each of the Reserve Banks of the several districts will be and where and to what extent a Reserve Bank may, without violating its special function as a guardian of banking reserves, engage in banking and credit operations. The Reserve Banks have expenses to meet, and while it would be a mistake to regard them merely as profit-making concerns and to apply to them the ordinary test of business success, there is no reason why they should not earn their expenses, and a fair profit besides, without failing to exercise their proper functions and exceeding the bounds of prudence in their management. Moreover, the Reserve Banks can never become the leading and important factor in the money market which they were designed to be unless a considerable portion of their resources is regularly and constantly employed.

There will be times when the great weight of their influence and resources should be exerted to secure a freer extension of credit and an easing of rates in order that the borrowing community shall be able to obtain accommodation at the lowest rates warranted by existing conditions and be adequately protected against exorbitant rates of interest. There will just as certainly, however, be other times when prudence and a proper regard for the common good will require that an opposite course should be pursued and accommodations curtailed. Normally, therefore, a considerable proportion of its resources should always be kept invested by a Reserve Bank in order that the release or withdrawal from active employment of its banking funds may always exercise a beneficial influence. This is merely saying that to influence the market a Reserve Bank must always be in the market, and in this sense Reserve Banks will be active banking concerns when once they have found their true position under the new banking conditions.

It would be a mistake, therefore, and a serious limitation of their usefulness to regard the Reserve Banks simply as emergency banks. Regulation in ordinary times, as well as protection in extraordinary times, may be expected to become the chief service which these institutions will perform. The Federal Reserve Board is fully alive to its opportunity and responsibilities in this respect, but it must counsel patience in awaiting the fruition of the new system. It will take time for the new banks to develop the technique of control and skill and experience in its application. The ascertainment of the correct base from which comprehensive operations should begin; the establishment of a normal level from which expansions and contractions will freely take place will have a most important bearing upon the future development and success of the system. Impatience to show results should not be permitted to tempt those in charge of the Reserve Banks into precipitate and unwise action.

The vast and complex structure of modern banking and credit systems is one of extreme delicacy of balance and adjustments, and it must never be overlooked that it is highly sensitive to all manner of disturbances, as recent events have painfully demonstrated. The banking systems of the larger nations are closely related to one another, and financial distress or collapse at one point quickly transmits shock to all others. Safety for us in critical times will depend on the confidence our system commands, the strength of its reserves, and its power to bring them into action promptly and effectively if needed.

In dealing with new districts and entirely changed banking methods, time and experience alone can supply the data necessary for charting the course to be pursued. This consideration, if nothing else, would suggest the greatest patience and prudence even if the European horizon were less clouded than it is to-day. None the less, the Board realizes that where extraordinary conditions warrant extraordinary measures, it is the foremost duty of the Board and the banks to act promptly and boldly.

CLEARING OF CHECKS.

The Federal reserve act, in sections 13 and 16, provides in general language for the collection and clearing of checks without, however, undertaking to define more precisely the exact extent or character of these operations. It does, however, prescribe the character of the items that may be received on deposit by Federal Reserve Banks and clearly contemplates the performance of certain clearing functions by such banks for their members. It also contemplates clearings of undefined extent among the several Reserve Banks and authorizes the Board itself to act as a clearing house for the several Reserve Banks, or to designate one of these banks to perform this service.

From the beginning, the Board has regarded the organization of these clearing functions as one of the most important responsibilities with which it is charged under the act, as well as one of its most difficult and intricate problems. The whole scheme involves very considerable and thoroughgoing innovations in existing methods, however substantial the benefits that will accrue from a well organized system of clearings national in its scope. The Board has, therefore, deemed it wise to move carefully in a matter involving dislocation in established practices and arrangements and depending for its success, in a large degree, upon the harmonious cooperation of the several banks involved.

It was the general opinion of the directors of the several Federal Reserve Banks, expressed at their conference held just before the opening of these banks, that transit and clearing operations should be restricted to easily manageable proportions in the beginning. Since the opening, a few of the Reserve Banks, acting in accordance with authority granted them by the Board, have in greater or less degree widened the scope of their clearing activities. At this time the whole matter is still to be regarded as in a condition of development, but with sufficient experimentation going on to materially assist the Board in reaching sound conclusions.

It must be remembered that the problem presented to the Board is one of great novelty and calls for the application of a high degree of technical skill in order that there may not result undue disturbance

and violent derangement of customary commercial and banking methods. Committees representing the executive officers of the various banks are studying the subject, and the Board is giving much of its own time and thought to an analysis and comprehension of the many elements involved in the question. It is believed that substantial progress will be made in the near future in the development and formulation of an effective plan for the solution of this problem.

Habit of long standing in the American business world has established the check in its preference as the most important and convenient constituent in the circulating medium. To give it wider currency and a freer flow to and from every part of the country, so far as this can be done without opening the way to abuses, is in line with the further development and requirements of the American business system and will receive the most careful attention of the Board.

ADMISSION OF STATE BANKS.

From the opening of the new banks, the Federal Reserve Board has been keenly anxious to settle the conditions upon which State banks may be admitted into the system. The Federal reserve act especially provides for such admission, and it has been supposed in many quarters that the process of admission would involve few difficulties. Investigation has shown that owing to the differences in State laws, the comprehensive character of the charters enjoyed by some State banks, and the complex conditions of competition between such institutions and their national competitors, the determination of these conditions was far from being easy if an equitable adjustment was to be found. A problem of somewhat similar difficulty was presented by the provisions of the Federal reserve act authorizing the board to make regulations under which national banks might exercise the functions of trustee, executor, etc. Both these subjects have been, and are, under very careful investigation, and conferences have been had with both National and State bankers, while competent legal advice has also been sought. It is expected that at least a tentative solution of the problems at issue may be arrived at in the near future.

Since the passage of the Federal reserve act, there have been converted into National banks 93 State banks and trust companies, with a capital and surplus of \$9,151,306. There have been admitted to the system as members thereof 9 State banks and 4 trust companies, the aggregate capital and surplus of the 13 institutions being \$17,884,000. Those State institutions which have already been admitted to the system have entered upon the understanding that they are to accept any regulations the Board may make regarding the conduct of the business of member banks. There are pending at the present time applications from 51 State banks and trust companies. These applicants have preferred to await the issuance of regulations governing the admission of State banks.

FEDERAL ADVISORY COUNCIL.

The 12 members of the Advisory Council are selected by the boards of directors of the Federal Reserve Banks. When the list was completed the Federal Reserve Board sent out an invitation to the

members to meet, which they did in Washington on December 15 and 16. At this meeting the members of the Council indicated their views on some pending questions and took others under advisement to be reported upon later. The membership and organization of the Council are described in Exhibit F.

ADMINISTRATION.

In organizing its staff the Board has sought to observe economy and to keep the personnel within the narrowest limits consistent with efficiency. The Reserve Bank Organization Committee had established a staff of about 75 persons, and the Board determined to take over as a nucleus of its own force such members of this staff as were deemed necessary for the conduct of its work. After careful investigation, a total of about 40 persons were thus transferred and given a permanent status in the Board's organization. There had been many applicants for appointments to the staff of the Board, the total aggregating more than 1,200, and in order to give applicants in places distant from Washington an equal opportunity and provide fairly for a distribution of such appointments as might later be made, an examination conducted (on a basis prescribed by the Board) by the Civil Service Commission was given on behalf of the Board on December 9. Returns from this examination had not been received up to December 31, but future appointments will be made from the list of eligible persons established as a result of this examination, save in so far as there may be a need for officers of highly special or technical attainment. In Exhibit C, hereto attached, will be found a complete report prepared by the Secretary of the Federal Reserve Board, in which are given the names, salaries, and other details relating to the staff at the main offices in Washington.

As at present organized the Board's staff comprises four divisions—one dealing with correspondence, one with bank audit and examination, one with reports and statistics and a law department in charge of a general Counsel. The Board has appointed two administrative officers, to be known as Secretary and Assistant Secretary, and has appointed to these positions, respectively, H. Parker Willis, as the former, and Sherman P. Allen, as the latter. The general management of the staff of the Board is under the direction of the Secretary's office. The Board appointed as counsel M. C. Elliott, previously the Counsel of the Organization Committee. Apart from the Correspondence Division, the name of which sufficiently indicates the nature of its duties, the Board's work is now carried on by the Division of Audit and Examination and the Division of Reports and Statistics. A discussion of the functions of the former division will be found in Exhibit C.

A uniform accounting system has been adopted by the banks and one of its results is the furnishing of daily statements which are forwarded to Washington, and detailed lists of all bills purchased and discounted. From this it will be possible to make credit analyses which will serve to show the distribution of the funds of the Federal Reserve Banks among the different classes of business which are applying for them. This work will fall to the Division of Reports and

Statistics. Neither that division nor the Division of Audit and Examination is as yet fully organized, but they will be developed rapidly as the system expands and its wants become definitely recognized.

EXPENSES OF BOARD.

An assessment of four-tenths of 1 per cent was levied on the capital of the Reserve Banks to meet the estimated expenditures of the Board during the six months beginning November 1, 1914, on which date the total capital was \$107,760,100. The money derived from this assessment is deposited with the Treasurer of the United States, subject to check by the Governor of the Board, countersigned by the Secretary.

In preparing the estimates for the first six months, it was necessarily difficult to foretell the expenses of every kind and nature incident to the development of the system, but it is believed that the levy made will be sufficient to cover all expenses for the period named. It should be observed in connection with this statement of expenses that nearly 50 per cent of the total assessment upon the Federal Reserve Banks has been for the preparation of a large supply of Federal reserve notes. This expense will probably not need to be repeated in the near future. The following statement will show the receipts and expenses of the Board to date:

Estimated expenses for six months beginning November 1, 1914, including \$208,560.25 for purchasing paper, making dies, and printing and engraving Federal reserve notes; also salaries of the members of the board from August 10 and of its secretary and assistant secretary from September 14 to October 31, 1914, and for liabilities incurred incident to the organization of the board and of the Federal reserve banks.....		\$431,040.00
Total capital of reserve banks November 1, 1914.....	107,760,100.00	
Assessment, four-tenths of 1 per cent.....	431,040.00	
Amount received on account of above assessment up to December 31, 1914.....	259,613.87	
Disbursements to December 31, 1914.....	52,833.93	
Balance with the Treasurer of the United States to the credit of the board December 31, 1914.....	206,779.94	
Expenses of the board to December 31, 1914: ¹		
Salaries.....	45,256.14	
Equipment (including furniture, adding machines, typewriters, etc.).....	6,034.59	
Miscellaneous.....	2,689.45	
Printing.....	3,171.33	
Stationery.....	2,027.36	
Postage.....	51.00	
Total.....	59,229.87	

The Reserve banks are still in the first stage of growth and both the volume of business which they can develop and the expenses which their operation will entail are matters of estimate. Much of the expense thus far incurred by the banks has been for their initial organization, including such items as equipment, note issues, etc., and owing to the fact that the banks were necessarily opened before complete regulations governing their operation could be framed and before their functions could be fully developed, their staffs had to be organized on the basis of prospective rather than immediate needs.

¹ This includes actual disbursements and liabilities incurred for which vouchers have not been presented.

The Board is, therefore, not able at this time to make a definite report on the normal expenses of the reserve banks.

CONCLUSION.

Five months have elapsed since the introduction into our financial system of the most far-reaching change that has been made in the field of American banking since the passage of the National Banking Act. Less than two months have gone by since the Federal Reserve Banks actually opened for business. The system, however, is in operation and has already produced results of the most noteworthy character. There is much yet to be done, but the work can not be regarded as experimental in the sense that there is any uncertainty as to the outcome. The only question is as to how rapidly it will be possible to develop the full capabilities and resources of the Federal reserve system. Its potentialities are vast and should contribute immeasurably in the future to the solidity, stability, and flexibility of the American credit system.

W. G. McADOO,
Secretary of the Treasury,
Chairman.
JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

C. S. HAMLIN, *Governor.*
F. A. DELANO, *Vice Governor.*
P. M. WARBURG.
W. P. G. HARDING.
A. C. MILLER.

EXHIBITS.

EXHIBIT A.

[Public—No. 43—63d Congress.]

[H. R. 7837.]

AN ACT To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this act shall be the "Federal Reserve Act."

Wherever the word "bank" is used in this act, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to.

The terms "national bank" and "national banking association" used in this Act shall be held to be synonymous and interchangeable. The term "member bank" shall be held to mean any national bank, State bank, or bank or trust company which has become a member of one of the reserve banks created by this act. The term "board" shall be held to mean Federal Reserve Board; the term "district" shall be held to mean Federal reserve district; the term "reserve bank" shall be held to mean Federal reserve bank.

FEDERAL RESERVE DISTRICTS.

Sec. 2. As soon as practicable, the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, acting as "The Reserve Bank Organization Committee," shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all. Such districts shall be known as Federal reserve districts and may be designated by number. A majority of the organization committee shall constitute a quorum with authority to act.

Said organization committee shall be authorized to employ counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigation as may be deemed necessary by the said committee in determining the reserve districts and in designating the cities within such districts where such Federal reserve banks shall be severally located. The said committee shall supervise the organization in each of the cities designated of a Federal reserve bank, which shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago."

Under regulations to be prescribed by the organization committee, every national banking association in the United States is hereby required, and every eligible bank in the United States and every trust company within the District of Columbia, is hereby authorized to signify in writing, within sixty days after the passage of this act, its acceptance of the terms and provisions hereof. When the organization committee shall have designated the cities in which Federal reserve banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the organization committee, to subscribe to the capital stock of such Federal reserve bank in a sum equal to six per centum of the paid-up capital stock and surplus

of such bank, one-sixth of the subscription to be payable on call of the organization committee or of the Federal Reserve Board, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates.

The shareholders of every Federal reserve bank shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of their subscriptions to such stock at the par value thereof in addition to the amount subscribed, whether such subscriptions have been paid up in whole or in part, under the provisions of this act.

Any national bank failing to signify its acceptance of the terms of this act within the sixty days aforesaid, shall cease to act as a reserve agent, upon thirty days' notice, to be given within the discretion of the said organization committee or of the Federal Reserve Board.

Should any national banking association in the United States now organized fail within one year after the passage of this act to become a member bank or fail to comply with any of the provisions of this act applicable thereto, all of the rights, privileges, and franchises of such association granted to it under the national-bank act, or under the provisions of this act, shall be thereby forfeited. Any noncompliance with or violation of this act shall, however, be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which such bank is located, under direction of the Federal Reserve Board, by the Comptroller of the Currency in his own name before the association shall be declared dissolved. In cases of such noncompliance or violation, other than the failure to become a member bank under the provisions of this act, every director who participated in or assented to the same shall be held liable in his personal or individual capacity for all damages which said bank, its shareholders, or any other person shall have sustained in consequence of such violation.

Such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have been previously incurred.

Should the subscriptions by banks to the stock of said Federal reserve banks or any one or more of them be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee may, under conditions and regulations to be prescribed by it, offer to public subscription at par such an amount of stock in said Federal reserve banks, or any one or more of them, as said committee shall determine, subject to the same conditions as to payment and stock liability as provided for member banks.

No individual, copartnership, or corporation other than a member bank of its district shall be permitted to subscribe for or to hold at any time more than \$25,000 par value of stock in any Federal reserve bank. Such stock shall be known as public stock and may be transferred on the books of the Federal reserve bank by the chairman of the board of directors of such bank.

Should the total subscriptions by banks and the public to the stock of said Federal reserve banks, or any one or more of them, be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee shall allot to the United States such an amount of said stock as said committee shall determine. Said United States stock shall be paid for at par out of any money in the Treasury not otherwise appropriated, and shall be held by the Secretary of the Treasury and disposed of for the benefit of the United States in such manner, at such times, and at such price, not less than par, as the Secretary of the Treasury shall determine.

Stock not held by member banks shall not be entitled to voting power.

The Federal Reserve Board is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock.

No Federal reserve bank shall commence business with a subscribed capital less than \$4,000,000. The organization of reserve districts and Federal reserve cities shall not be construed as changing the present status of reserve cities and central reserve cities, except in so far as this act changes the amount of reserves that may be carried with approved reserve agents located therein. The organization committee shall have power to appoint such assistants and incur such expenses in carrying out the provisions of this act as it shall deem necessary, and such expenses shall be payable by the Treasurer of the United

States upon voucher approved by the Secretary of the Treasury, and the sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the payment of such expenses.

BRANCH OFFICES.

SEC. 3. Each Federal reserve bank shall establish branch banks within the Federal reserve district in which it is located and may do so in the district of any Federal reserve bank which may have been suspended. Such branches shall be operated by a board of directors under rules and regulations approved by the Federal Reserve Board. Directors of branch banks shall possess the same qualifications as directors of the Federal reserve banks. Four of said directors shall be selected by the reserve bank and three by the Federal Reserve Board, and they shall hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board. The reserve bank shall designate one of the directors as manager.

FEDERAL RESERVE BANKS.

SEC. 4. When the organization committee shall have established Federal reserve districts as provided in section two of this act, a certificate shall be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal reserve city designated in each of such districts. The Comptroller of the Currency shall thereupon cause to be forwarded to each national bank located in each district, and to such other banks declared to be eligible by the organization committee which may apply therefor, an application blank in form to be approved by the organization committee, which blank shall contain a resolution to be adopted by the board of directors of each bank executing such application, authorizing a subscription to the capital stock of the Federal reserve bank organizing in that district in accordance with the provisions of this act.

When the minimum amount of capital stock prescribed by this act for the organization of any Federal reserve bank shall have been subscribed and allotted, the organization committee shall designate any five banks of those whose applications have been received, to execute a certificate of organization, and thereupon the banks so designated shall, under their seals, make an organization certificate which shall specifically state the name of such Federal reserve bank, the territorial extent of the district over which the operations of such Federal reserve bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock and the number of shares into which the same is divided, the name and place of doing business of each bank executing such certificate, and of all banks which have subscribed to the capital stock of such Federal reserve bank and the number of shares subscribed by each, and the fact that the certificate is made to enable those banks executing same, and all banks which have subscribed or may thereafter subscribe to the capital stock of such Federal reserve bank, to avail themselves of the advantages of this act.

The said organization certificate shall be acknowledged before a judge of some court of record or notary public; and shall be, together with the acknowledgment thereof, authenticated by the seal of such court, or notary, transmitted to the Comptroller of the Currency, who shall file, record, and carefully preserve the same in his office.

Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank shall become a body corporate and as such, and in the name designated in such organization certificate, shall have power—

First. To adopt and use a corporate seal.

Second. To have succession for a period of twenty years from its organization unless it is sooner dissolved by an act of Congress, or unless its franchise becomes forfeited by some violation of law.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law or equity.

Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this act, to define their duties, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees.

Sixth. To prescribe by its board of directors by-laws not inconsistent with law, regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this act.

Elighth. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law as relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Federal reserve bank.

But no Federal reserve bank shall transact any business except such as is incidental and necessarily preliminary to its organization until it has been authorized by the Comptroller of the Currency to commence business under the provisions of this act.

Every Federal reserve bank shall be conducted under the supervision and control of a board of directors.

The board of directors shall perform the duties usually appertaining to the office of directors of banking associations and all such duties as are prescribed by law.

Said board shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks and shall, subject to the provisions of law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks.

Such board of directors shall be selected as hereinafter specified and shall consist of nine members, holding office for three years, and divided into three classes, designated as classes A, B, and C.

Class A shall consist of three members, who shall be chosen by and be representative of the stock-holding banks.

Class B shall consist of three members, who at the time of their election shall be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

Class C shall consist of three members who shall be designated by the Federal Reserve Board. When the necessary subscriptions to the capital stock have been obtained for the organization of any Federal reserve bank, the Federal Reserve Board shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected. Pending the designation of such chairman, the organization committee shall exercise the powers and duties appertaining to the office of chairman in the organization of such Federal reserve bank.

No Senator or Representative in Congress shall be a member of the Federal Reserve Board or an officer or a director of a Federal reserve bank.

No director of class B shall be an officer, director, or employee of any bank.

No director of class C shall be an officer, director, employee, or stockholder of any bank.

Directors of class A and class B shall be chosen in the following manner:

The chairman of the board of directors of the Federal reserve bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.

At a regularly called meeting of the board of directors of each member bank in the district it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups and shall transmit one list to each elector in each group.

Each member bank shall be permitted to nominate to the chairman one candidate for director of class A and one candidate for director of class B. The

candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each elector.

Every elector shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and other choices of a director of class A and class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each elector shall make a cross opposite the name of the first, second, and other choices for a director of class A and for a director of class B, but shall not vote more than one choice for any one candidate.

Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the first column, then there shall be added together the votes cast by the electors for such candidates in the second column and the votes cast for the several candidates in the first column. If any candidate then have a majority of the electors voting, by adding together the first and second choices, he shall be declared elected. If no candidate have a majority of electors voting when the first and second choices shall have been added, then the votes cast in the third column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared.

Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least two years residents of the district for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as "Federal reserve agent." He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Federal reserve bank he shall be required to maintain under regulations to be established by the Federal Reserve Board, a local office of said board on the premises of the Federal reserve bank. He shall make regular reports to the Federal Reserve Board, and shall act as its official representative for the performance of the functions conferred upon it by this act. He shall receive an annual compensation to be fixed by the Federal Reserve Board and paid monthly by the Federal reserve bank to which he is designated. One of the directors of Class C, who shall be a person of tested banking experience, shall be appointed by the Federal Reserve Board as deputy chairman and deputy Federal reserve agent to exercise the powers of the chairman of the board and Federal reserve agent in case of absence or disability of his principal.

Directors of Federal reserve banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amount shall be paid by the respective Federal reserve banks. Any compensation that may be provided by boards of directors of Federal reserve banks for directors, officers, or employees shall be subject to the approval of the Federal Reserve Board.

The Reserve Bank Organization Committee may, in organizing Federal reserve banks, call such meetings of bank directors in the several districts as may be necessary to carry out the purposes of this act, and may exercise the functions herein conferred upon the chairman of the board of directors of each Federal reserve bank pending the complete organization of such bank.

At the first meeting of the full board of directors of each Federal reserve bank it shall be the duty of the directors of classes A, B, and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the first of January nearest to date of such meeting, one whose term of office shall expire at the end of two years from said date, and one whose term of office shall expire at the end of three years from said date. Thereafter every director of a Federal reserve bank chosen as hereinbefore provided shall hold office for a term of three years. Vacancies that may occur in the several classes of directors of Federal reserve banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors.

STOCK ISSUES; INCREASE AND DECREASE OF CAPITAL.

Sec. 5. The capital stock of each Federal reserve bank shall be divided into shares of \$100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus, or as additional banks become members, and may be decreased as member banks

reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to six per centum of the said increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to six per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of one per centum a month from the period of the last dividend. When the capital stock of any Federal reserve bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and when a member bank voluntarily liquidates, it shall surrender all of its holdings of the capital stock of said Federal reserve bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of one per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal reserve bank.

SEC. 6. If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Federal reserve bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with one-half of one per centum per month from the period of last dividend, not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Federal reserve bank, and the balance, if any, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal reserve bank is reduced, either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of such bank, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.

DIVISION OF EARNINGS.

SEC. 7. After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of six per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank.

The net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, any surplus remaining after the payment of all debts, dividend requirements as hereinbefore provided, and the par value of the stock shall be paid to and become the property of the United States and shall be similarly applied.

Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom, shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

SEC. 8. Section fifty-one hundred and fifty-four, United States Revised Statutes, is hereby amended to read as follows:

Any bank incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of

the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency be converted into a national banking association, with any name approved by the Comptroller of the Currency:

Provided, however, That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. When the Comptroller has given to such bank or banking association a certificate that the provisions of this act have been complied with, such bank or banking association, and all its stockholders, officers, and employees, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by the Federal reserve act and by the national banking act for associations originally organized as national banking associations.

STATE BANKS AS MEMBERS.

SEC. 9. Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, may make application to the reserve bank organization committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal reserve bank organized or to be organized within the Federal reserve district where the applicant is located. The organization committee or the Federal Reserve Board, under such rules and regulations as it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal reserve bank of the district in which the applying bank is located. Whenever the organization committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal reserve bank of the district, stock shall be issued and paid for under the rules and regulations in this act provided for national banks which become stockholders in Federal reserve banks.

The organization committee or the Federal Reserve Board shall establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies for stock ownership in Federal reserve banks. Such by-laws shall require applying banks not organized under Federal law to comply with the reserve and capital requirements and to submit to the examination and regulations prescribed by the organization committee or by the Federal Reserve Board. No applying bank shall be admitted to membership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking act.

Any bank becoming a member of a Federal reserve bank under the provisions of this section shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the national banks respecting the limitation of liability which may be incurred by any person, firm, or corporation to such banks, the prohibition against making purchase of or loans on stock of such banks, and the withdrawal or impairment of capital, or the payment of unearned dividends, and to such rules and regulations as the Federal Reserve Board may, in pursuance thereof, prescribe.

Such banks, and the officers, agents, and employees thereof, shall also be subject to the provisions of and to the penalties prescribed by sections fifty-one hundred and ninety-eight, fifty-two hundred, fifty-two hundred and one, and fifty-two hundred and eight, and fifty-two hundred and nine of the Revised Statutes. The member banks shall also be required to make reports of the conditions and of the payments of dividends to the comptroller, as provided in sections fifty-two hundred and eleven and fifty-two hundred and twelve of the

Revised Statutes, and shall be subject to the penalties prescribed by section fifty-two hundred and thirteen for the failure to make such report.

If at any time it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board, it shall be within the power of the said board, after hearing, to require such bank to surrender its stock in the Federal reserve bank; upon such surrender the Federal reserve bank shall pay the cash-paid subscriptions to the said stock with interest at the rate of one-half of one per centum per month, computed from the last dividend, if earned, not to exceed the book value thereof, less any liability to said Federal reserve bank, except the subscription liability not previously called, which shall be canceled, and said Federal reserve bank shall, upon notice from the Federal Reserve Board, be required to suspend said bank from further privileges of membership, and shall within thirty days of such notice cancel and retire its stock and make payment therefor in the manner herein provided. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

FEDERAL RESERVE BOARD.

Sec. 10. A Federal Reserve Board is hereby created which shall consist of seven members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex officio, and five members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the five appointive members of the Federal Reserve Board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of the different commercial, industrial and geographical divisions of the country. The five members of the Federal Reserve Board appointed by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal Reserve Board and shall each receive an annual salary of \$12,000, payable monthly, together with actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of the Federal Reserve Board, shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of \$7,000 annually for his services as a member of said board.

The members of said board, the Secretary of the Treasury, the Assistant Secretaries of the Treasury, and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. Of the five members thus appointed by the President at least two shall be persons experienced in banking or finance. One shall be designated by the President to serve for two, one for four, one for six, one for eight, and one for ten years, and thereafter each member so appointed shall serve for a term of ten years unless sooner removed for cause by the President. Of the five persons thus appointed, one shall be designated by the president as governor and one as vice governor of the Federal Reserve Board. The governor of the Federal Reserve Board, subject to its supervision, shall be the active executive officer. The Secretary of the Treasury may assign offices in the Department of the Treasury for the use of the Federal Reserve Board. Each member of the Federal Reserve Board shall within fifteen days after notice of appointment make and subscribe to the oath of office.

The Federal Reserve Board shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

The first meeting of the Federal Reserve Board shall be held in Washington, District of Columbia, as soon as may be after the passage of this act, at a date to be fixed by the Reserve Bank Organization Committee. The Secretary of the Treasury shall be ex officio chairman of the Federal Reserve Board. No member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal reserve bank nor hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the Federal Reserve Board he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement. Whenever a vacancy shall occur, other than by expiration of term, among the five members of the Federal Reserve Board appointed

by the President, as above provided, a successor shall be appointed by the President, with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of the member whose place he is selected to fill.

The President shall have power to fill all vacancies that may happen on the Federal Reserve Board during the recess of the Senate, by granting commissions which shall expire thirty days after the next session of the Senate convenes.

Nothing in this act contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department and bureaus under such department, and wherever any power vested by this act in the Federal Reserve Board or the Federal reserve agent appears to conflict with the powers of the Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary.

The Federal Reserve Board shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

Section three hundred and twenty-four of the Revised Statutes of the United States shall be amended so as to read as follows: There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of national currency secured by United States bonds and, under the general supervision of the Federal Reserve Board, of all Federal reserve notes, the chief officer of which bureau shall be called the Comptroller of the Currency and shall perform his duties under the general directions of the Secretary of the Treasury.

Sec. 11. The Federal Reserve Board shall be authorized and empowered:

(a) To examine at its discretion the accounts, books, and affairs of each Federal reserve bank and of each member bank and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks. Such statements shall show in detail the assets and liabilities of the Federal reserve banks, single and combined, and shall furnish full information regarding the character of the money held as reserve and the amount, nature and maturities of the paper and other investments owned or held by Federal reserve banks.

(b) To permit, or, on the affirmative vote of at least five members of the Reserve Board to require Federal reserve banks to rediscount the discounted paper of other Federal reserve banks at rates of interest to be fixed by the Federal Reserve Board.

(c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen days, any reserve requirement specified in this act: *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this act may be permitted to fall below the level hereinafter specified: *And provided further*, That when the gold reserve held against Federal reserve notes falls below forty per centum, the Federal Reserve Board shall establish a graduated tax of not more than one per centum per annum upon such deficiency until the reserves fall to thirty-two and one-half per centum, and when said reserve falls below thirty-two and one-half per centum, a tax at the rate increasingly or not less than one and one-half per centum per annum upon each two and one-half per centum or fraction thereof that such reserve falls below thirty-two and one-half per centum. The tax shall be paid by the reserve bank, but the reserve bank shall add an amount equal to said tax to the rates of interest and discount fixed by the Federal Reserve Board.

(d) To supervise and regulate through the bureau under the charge of the Comptroller of the Currency the issue and retirement of Federal reserve notes, and to prescribe rules and regulations under which such notes may be delivered by the Comptroller to the Federal reserve agents applying therefor.

(e) To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section twenty of this act; or to reclassify existing reserve and central reserve cities or to terminate their designation as such.

(f) To suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated in writing by the Federal Reserve Board to the removed officer or director and to said bank.

(g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

(h) To suspend, for the violation of any of the provisions of this act, the operations of any Federal reserve bank, to take possession thereof, administer the same during the period of suspension, and, when deemed advisable, to liquidate or reorganize such bank.

(i) To require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this act, and make all rules and regulations necessary to enable said board effectively to perform the same.

(j) To exercise general supervision over said Federal reserve banks.

(k) To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe.

(l) To employ such attorneys, experts, assistants, clerks, or other employees as may be deemed necessary to conduct the business of the board. All salaries and fees shall be fixed in advance by said board and shall be paid in the same manner as the salaries of the members of said board. All such attorneys, experts, assistants, clerks, and other employees shall be appointed without regard to the provisions of the act of January sixteenth, eighteen hundred and eighty-three (volume twenty-two, United States Statutes at Large, page four hundred and three), and amendments thereto, or any rule or regulation made in pursuance thereof: *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service.

FEDERAL ADVISORY COUNCIL.

SEC. 12. There is hereby created a Federal Advisory Council, which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from its own Federal reserve district one member of said council, who shall receive such compensation and allowances as may be fixed by his board of directors, subject to the approval of the Federal Reserve Board. The meetings of said advisory council shall be held at Washington, District of Columbia, at least four times each year, and oftener if called by the Federal Reserve Board. The council may, in addition to the meetings above provided for, hold such other meetings in Washington, District of Columbia, or elsewhere, as it may deem necessary, may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies shall serve for the unexpired term.

The Federal Advisory Council shall have power, by itself or through its officers, (1) to confer directly with the Federal Reserve Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

POWERS OF FEDERAL RESERVE BANKS.

SEC. 13. Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent member banks, payable upon presentation; or, solely for exchange purposes, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks and drafts upon solvent member or other Federal reserve banks, payable upon presentation.

Upon the indorsement of any of its member banks, with a waiver of demand, notice, and protest by such bank, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the

right to determine or define the character of the paper thus eligible for discount, within the meaning of this act. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise, from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than ninety days: *Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank to be ascertained and fixed by the Federal Reserve Board.

Any Federal reserve bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital stock and surplus of the bank for which the rediscounts are made.

The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months' sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus.

Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

First. Notes of circulation.

Second. Moneys deposited with or collected by the association.

Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association or due thereto.

Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.

Fifth. Liabilities incurred under the provisions of the Federal reserve act.

The rediscount by any Federal reserve bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

OPEN-MARKET OPERATIONS.

Sec. 14. Any Federal reserve bank may, under rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this act made eligible for rediscount, with or without the indorsement of a member bank.

Every Federal reserve bank shall have power:

(a) To deal in gold coin and bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold;

(b) To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States,

including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;

(c) To purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined;

(d) To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business;

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent of the Federal Reserve Board, to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell with or without its indorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties.

GOVERNMENT DEPOSITS.

SEC. 15. The moneys held in the general fund of the Treasury, except the five per centum fund for the redemption of outstanding national-bank notes and the funds provided in this act for the redemption of Federal reserve notes may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.

No public funds of the Philippine Islands, or of the postal savings, or any Government funds shall be deposited in the continental United States in any bank not belonging to the system established by this act: *Provided, however,* That nothing in this act shall be construed to deny the right of the Secretary of the Treasury to use member banks as depositories.

NOTE ISSUES.

SEC. 16. Federal reserve notes, to be issued at the discretion of the Federal Reserve Board for the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in gold on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or in gold or lawful money at any Federal reserve bank.

Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral in amount equal to the sum of the Federal reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes and bills, accepted for rediscount under the provisions of section thirteen of this act, and the Federal reserve agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. The said Federal Reserve Board may at any time call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

Every Federal reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation, and not offset by gold or lawful money deposited with the Federal reserve agent. Notes so paid out shall bear upon their faces a distinctive letter and serial number, which shall be assigned by the Federal Reserve Board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be promptly returned for credit or redemption to the Federal reserve bank

through which they were originally issued. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid out of the redemption fund and returned to the Federal reserve banks through which they were originally issued, and thereupon such Federal reserve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money, or, if such Federal reserve notes have been redeemed by the Treasurer in gold or gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold or gold certificates, and such Federal reserve bank shall, so long as any of its Federal reserve notes remain outstanding, maintain with the Treasurer in gold an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal reserve notes received by the Treasurer, otherwise than for redemption, may be exchanged for gold out of the redemption fund hereinafter provided and returned to the reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the United States. Federal reserve notes unfit for circulation shall be returned by the Federal reserve agents to the Comptroller of the Currency for cancellation and destruction.

The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal reserve notes issued to such bank, but in no event less than five per centum; but such deposit of gold shall be counted and included as part of the forty per centum reserve hereinbefore required. The board shall have the right, acting through the Federal reserve agent, to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent that such application may be granted the Federal Reserve Board shall, through its local Federal reserve agent, supply Federal reserve notes to the bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the Federal Reserve Board, and the amount of such Federal reserve notes so issued to any such bank shall, upon delivery, together with such notes of such Federal reserve bank as may be issued under section eighteen of this act upon security of United States two per centum Government bonds, become a first and paramount lien on all the assets of such bank.

Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by depositing with the Federal reserve agent its Federal reserve notes, gold, gold certificates, or lawful money of the United States. Federal reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.

The Federal reserve agent shall hold such gold, gold certificates, or lawful money available exclusively for exchange for the outstanding Federal reserve notes when offered by the reserve bank of which he is a director. Upon the request of the Secretary of the Treasury the Federal Reserve Board shall require the Federal reserve agent to transmit so much of said gold to the Treasury of the United States as may be required for the exclusive purpose of the redemption of such notes.

Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of its Federal reserve notes deposited with it and shall at the same time substitute therefor other like collateral of equal amount, with the approval of the Federal reserve agent, under regulations to be prescribed by the Federal Reserve Board.

In order to furnish suitable notes for circulation as Federal reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of \$5, \$10, \$20, \$50, \$100, as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this act and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued.

When such notes have been prepared, they shall be deposited in the Treasury, or in the subtreasury or mint of the United States nearest the place of business of each Federal reserve bank and shall be held for the use of such bank sub-

ject to the order of the Comptroller of the Currency for their delivery, as provided by this act.

The plates and dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws relating to the procuring of such notes, and all other expenses incidental to their issue and retirement, shall be paid by the Federal reserve banks, and the Federal Reserve Board shall include in its estimate of expenses levied against the Federal reserve banks a sufficient amount to cover the expenses herein provided for.

The examination of plates, dies, bed pieces, and so forth, and regulations relating to such examination of plates, dies, and so forth, of national-bank notes provided for in section fifty-one hundred and seventy-four, Revised Statutes, is hereby extended to include notes herein provided for.

Any appropriation heretofore made out of the general funds of the Treasury for engraving plates and dies, the purchase of distinctive paper, or to cover any other expense in connection with the printing of national-bank notes or notes provided for by the act of May thirtieth, nineteen hundred and eight, and any distinctive paper that may be on hand at the time of the passage of this act may be used in the discretion of the Secretary for the purposes of this act, and should the appropriations heretofore made be insufficient to meet the requirements of this act in addition to circulating notes provided for by existing law, the Secretary is hereby authorized to use so much of any funds in the Treasury not otherwise appropriated for the purpose of furnishing the notes aforesaid: *Provided, however*, That nothing in this section contained shall be construed as exempting national banks or Federal reserve banks from their liability to reimburse the United States for any expenses incurred in printing and issuing circulating notes.

Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

SEC. 17. So much of the provisions of section fifty-one hundred and fifty-nine of the Revised Statutes of the United States, and section four of the act of June twentieth, eighteen hundred and seventy-four, and section eight of the act of July twelfth, eighteen hundred and eighty-two, and of any other provisions of existing statutes as require that before any national banking associations shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States a stated amount of United States registered bonds is hereby repealed.

REFUNDING BONDS.

SEC. 18. After two years from the passage of this act, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

The Treasurer shall, at the end of each quarterly period, furnish the Federal Reserve Board with a list of such applications, and the Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least ten days before the end of any quarterly period at which the Federal

Reserve Board may direct the purchase to be made: *Provided*, That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year, and which amount shall include bonds acquired under section four of this act by the Federal reserve bank.

Provided further, That the Federal Reserve Board shall allot to each Federal reserve bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Federal reserve banks.

Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds to the Federal Reserve bank purchasing the same, and such Federal reserve bank shall thereupon deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

The Federal reserve banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds.

Upon the deposit with the Treasurer of the United States of bonds so purchased, or any bonds with the circulating privilege acquired under section four of this act, any Federal reserve bank making such deposit in the manner provided by existing law shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited. Such notes shall be the obligations of the Federal reserve bank procuring the same, and shall be in form prescribed by the Secretary of the Treasury and to the same tenor and effect as national-bank notes now provided by law. They shall be issued and redeemed under the same terms and conditions as national-bank notes except that they shall not be limited to the amount of the capital stock of the Federal reserve bank issuing them.

Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary of the Treasury may issue, in exchange for United States two per centum gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one-year gold notes of the United States without the circulation privilege, to an amount not to exceed one-half of the two per centum bonds so tendered for exchange, and thirty-year three per centum gold bonds without the circulation privilege for the remainder of the two per centum bonds so tendered: *Provided*, That at the time of such exchange the Federal reserve bank obtaining such one-year gold notes shall enter into an obligation with the Secretary of the Treasury binding itself to purchase from the United States for gold at the maturity of such one-year notes an amount equal to those delivered in exchange for such bonds, if so requested by the Secretary, and at each maturity of one-year notes so purchased by such Federal reserve bank to purchase from the United States such an amount of one-year notes as the Secretary may tender to such bank, not to exceed the amount issued to such bank in the first instance, in exchange for the two per centum United States gold bonds; said obligation to purchase at maturity such notes shall continue in force for a period not to exceed thirty years.

For the purpose of making the exchange herein provided for the Secretary of the Treasury is authorized to issue at par Treasury notes in coupon or registered form, as he may prescribe, in denominations of one hundred dollars or any multiple thereof, bearing interest at the rate of three per centum per annum, payable quarterly, such Treasury notes to be payable not more than one year from the date of their issue in gold coin of the present standard value, and to be exempt as to principal and interest from the payment of all taxes and duties of the United States except as provided by this act, as well as from taxes in any form by or under State, municipal, or local authorities. And for the same purpose the Secretary is authorized and empowered to issue United States gold bonds at par, bearing three per centum interest, payable thirty years from date of issue, such bonds to be of the same general tenor and effect and to be issued under the same general terms and conditions as the United States three per centum bonds without the circulation privilege now issued and outstanding.

Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary may issue at par such three per centum bonds in exchange for the one-year gold notes herein provided for.

BANK RESERVES.

SEC. 19. Demand deposits within the meaning of this act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment.

When the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the establishment of a Federal reserve bank in any district, every subscribing member bank shall establish and maintain reserves as follows:

(a) A bank not in a reserve or central reserve city as now or hereafter defined shall hold and maintain reserves equal to twelve per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults, for a period of thirty-six months after said date, five twelfths thereof, and permanently thereafter four-twelfths.

In the Federal reserve bank of its district, for a period of twelve months after said date, two-twelfths, and for each succeeding six months an additional one-twelfth, until five-twelfths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period said reserves, other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date six-fifteenths thereof, and permanently thereafter five-fifteenths.

In the Federal reserve bank of its district for a period of twelve months after the date aforesaid at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

(c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults six-eighteenths thereof.

In the Federal reserve bank seven-eighteenths.

The balance of said reserves shall be held in its own vaults or in the Federal reserve bank, at its option.

Any Federal reserve bank may receive from the member banks as reserves not exceeding one-half of each installment, eligible paper as described in section fourteen, properly indorsed and acceptable to the said reserve bank.

If a State bank or trust company is required by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company, such reserve deposits so kept in such State bank or trust company shall be construed, within the meaning of this section, as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such State bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any nonmember bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this act except by permission of the Federal Reserve Board.

The reserve carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total reserve required by law is fully restored.

In estimating the reserves required by this act the net balance of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which reserve shall be determined. Balances in reserve banks due to member banks shall, to the extent herein provided, be counted as reserves.

National banks located in Alaska or outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks, except in the Philippine Islands, may, with the consent of the Reserve Board, become member banks of any one of the reserve districts, and shall in that event take stock, maintain reserves, and be subject to all the other provisions of this act.

SEC. 20. So much of sections two and three of the act of June twentieth, eighteen hundred and seventy-four, entitled "An act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," as provides that the fund deposited by any national banking association with the Treasurer of the United States for the redemption of its notes shall be counted as a part of its lawful reserve as provided in the act aforesaid, is hereby repealed. And from and after the passage of this act such fund of five per centum shall in no case be counted by any national banking association as a part of its lawful reserve.

BANK EXAMINATIONS.

SEC. 21. Section fifty-two hundred and forty, United States Revised Statutes, is amended to read as follows:

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Federal Reserve Board may authorize examination by the State authorities to be accepted in the case of State banks and trust companies and may at any time direct the holding of a special examination of State banks or trust companies that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.

The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.

In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Federal Reserve Board, provide for special examination of member banks within its district. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Federal reserve bank of the condition of its member banks and of the lines of credit which are being extended by them. Every Federal reserve bank shall at all times furnish to the Federal Reserve Board such information as may be demanded concerning the condition of any member bank within the district of the said Federal reserve bank.

No bank shall be subject to any visitatorial powers other than such as are authorized by law, or vested in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House thereof or by any committee of Congress or of either House duly authorized.

The Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank, and upon joint application of ten member

banks the Federal Reserve Board shall order a special examination and report of the condition of any Federal reserve bank.

SEC. 22. No member bank or any officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee violating this provision shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than \$5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given. Any examiner accepting a loan or gratuity from any bank examined by him or from an officer, director, or employee thereof shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than \$5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given; and shall forever thereafter be disqualified from holding office as a national-bank examiner. No national-bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employee thereof.

Other than the usual salary or director's fee paid to any officer, director, or employee of a member bank and other than a reasonable fee paid by said bank to such officer, director, or employee for services rendered to such bank, no officer, director, employee, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank. No examiner, public or private, shall disclose the names of borrowers or the collateral for loans of a member bank to other than the proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this section shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both.

Except as provided in existing laws, this provision shall not take effect until sixty days after the passage of this act.

SEC. 23. The stockholders of every national banking association shall be held individually responsible for all contracts, debts, and engagements of such association, each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock. The stockholders in any national banking association who shall have transferred their shares or registered the transfer thereof within sixty days next before the date of the failure of such association to meet its obligations, or with knowledge of such impending failure, shall be liable to the same extent as if they had made no such transfer, to the extent that the subsequent transferee fails to meet such liability; but this provision shall not be construed to affect in any way any recourse which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure.

LOANS ON FARM LANDS.

SEC. 24. Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

The Federal Reserve Board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section.

FOREIGN BRANCHES.

SEC. 25. Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board, upon such conditions and under such regulations as may be prescribed by the

said board, for the purpose of securing authority to establish branches in foreign countries or dependencies of the United States for the furtherance of the foreign commerce of the United States, and to act, if required to do so, as fiscal agents of the United States. Such application shall specify, in addition to the name and capital of the banking association filing it, the place or places where the banking operations proposed are to be carried on, and the amount of capital set aside for the conduct of its foreign business. The Federal Reserve Board shall have power to approve or to reject such application if, in its judgment, the amount of capital proposed to be set aside for the conduct of foreign business is inadequate, or if for other reasons the granting of such application is deemed inexpedient.

Every national banking association which shall receive authority to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal Reserve Board may order special examinations of the said foreign branches at such time or times as it may deem best. Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each branch as a separate item.

SEC. 26. All provisions of law inconsistent with or superseded by any of the provisions of this act are to that extent and to that extent only hereby repealed: *Provided*, Nothing in this act contained shall be construed to repeal the parity provision or provisions contained in an act approved March fourteenth, nineteen hundred, entitled "An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," and the Secretary of the Treasury may for the purpose of maintaining such parity and to strengthen the gold reserve borrow gold on the security of United States bonds authorized by section two of the act last referred to or for one-year gold notes bearing interest at a rate of not to exceed three per centum per annum, or sell the same if necessary to obtain gold. When the funds of the Treasury on hand justify, he may purchase and retire such outstanding bonds and notes.

SEC. 27. The provisions of the act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such act on the thirtieth day of June, nineteen hundred and fourteen, are hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one, and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the act of May thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this act: *Provided, however*, That section nine of the act first referred to in this section is hereby amended so as to change the tax rates fixed in said act by making the portion applicable thereto read as follows:

National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes.

SEC. 28. Section fifty-one hundred and forty-three of the Revised Statutes is hereby amended and reenacted to read as follows: Any association formed under this title may, by the vote of shareholders owning two-thirds of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of associations; but no such reduction shall be allowable which will reduce the capital of the association below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the said Comptroller of the Currency and by the Federal Reserve Board, or by the organization committee pending the organization of the Federal Reserve Board.

SEC. 29. If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

SEC. 30. The right to amend, alter, or repeal this act is hereby expressly reserved.

Approved, December 23, 1913.

EXHIBIT B.

I.

[Public—No. 163—63d Congress.]

[S. 6192.]

AN ACT To amend section twenty-seven of an act approved December twenty-third, nineteen hundred and thirteen, and known as the Federal reserve act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section twenty-seven of the act approved December twenty-third, nineteen hundred and thirteen, known as the Federal reserve act, is hereby amended and reenacted to read as follows:

"SEC. 27. The provisions of the act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such act on the thirtieth day of June, nineteen hundred and fourteen, are hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one, and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the act of May thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this act: *Provided, however*, That section nine of the act first referred to in this section is hereby amended so as to change the tax rates fixed in said act by making the portion applicable thereto read as follows:

"National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes: *Provided further*, That whenever in his judgment he may deem it desirable, the Secretary of the Treasury shall have power to suspend the limitations imposed by section one and section three of the act referred to in this section, which prescribe that such additional circulation secured otherwise than by bonds of the United States shall be issued only to national banks having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than forty per centum of the capital stock of such banks, and to suspend also the conditions and limitations of section five of said act except that no bank shall be permitted to issue circulating notes in excess of one hundred and twenty-five per centum of its unimpaired capital and surplus. He shall require each bank and currency association to maintain on deposit in the Treasury of the United States a sum in gold sufficient in his judgment for the redemption of such notes, but in no event less than five per centum. He may permit national banks, during the period for which such provisions are suspended, to issue additional circulation under the terms and conditions of the act referred to as herein amended: *Provided further*, That the Secretary of the Treasury, in his discretion, is further authorized to extend the benefits of this act to all qualified State banks and trust companies, which have joined the Federal reserve system, or which may contract to join within fifteen days after the passage of this act."

Approved, August 4, 1914.

II.

[Public—No. 171—63d Congress.]

[S. 4966.]

AN ACT Proposing an amendment to section nineteen of the Federal reserve act relating to reserves, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section nineteen, subsections (b) and (c) of the act approved December twenty-third, nineteen hundred and thirteen, known as the Federal reserve act, be amended and reenacted so as to read as follows:

"(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

"In its vaults for a period of thirty-six months after said date, six-fifteenths thereof, and permanently thereafter five fifteenths.

"In the Federal reserve bank of its district for a period of twelve months after the date aforesaid, at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

"For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in central reserve cities, as now defined by law.

"After said thirty-six months' period all of said reserves, except those heretofore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank or in both, at the option of the member bank.

"(c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

"In its vaults, six-eighteenths thereof.

"In the Federal reserve bank, seven-eighteenths.

"The balance of said reserves shall be held in its own vaults or in the Federal reserve bank, at its option.

"Any Federal reserve bank may receive from the member banks as reserves not exceeding one-half of each installment, eligible paper as described in section thirteen properly indorsed and acceptable to the said reserve bank.

"If a state bank or trust company is required or permitted by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company or with a national bank, such reserve deposits so kept in such State bank, trust company, or national bank shall be construed within the meaning of this section as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such State bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any nonmember bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this act except by permission of the Federal Reserve Board.

"The reserve carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purposes of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total reserve required by law is fully restored.

"In estimating the reserves required by this act, the net balance of amounts due to and from other banks shall be taken as the basis for ascertaining the bank deposits against which reserves shall be determined. Balances in reserve banks due to member banks shall, to the extent herein provided, be counted as reserves.

"National banks located in Alaska or outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks, except in the Philippine Islands, may, with the consent of the Reserve Board, become member banks of any one of the reserve districts, and shall, in that event, take stock, maintain reserves, and be subject to all the other provisions of this act."

Approved, August 15, 1914.

EXHIBIT C.

ORGANIZATION OF THE FEDERAL RESERVE BOARD.

I.

PERSONNEL.

Following is the text of a report rendered by the secretary of the Federal Reserve Board with reference to the organization of the permanent staff:

WASHINGTON, D. C., November 13, 1914.

"To the FEDERAL RESERVE BOARD:

"The secretary of the Federal Reserve Board submits to the Federal Reserve Board a report of his action taken under the direction of the board and in accordance with the report of the committee on staff and on organization approved by the board.

"The reserve bank organization committee had in its employment just prior to November 2, when the work was taken over by the Federal Reserve Board, 72 individuals.

"Under the scheme of a skeleton organization to be developed in accordance with the growth of business, the Federal Reserve Board assembled from the above-named force and began its work on November 2 with a force of 40 individuals. There has been added through temporary employment 1 assistant counsel, 1 female stenographer, 2 typists, and 1 clerk skilled in typewriting, thus increasing the force to 45 people, divided as follows:

"*Private secretaries.*—Mr. Adelson to Mr. Harding, Mr. Chapman to Mr. Warburg, Mr. De La Mater to Mr. Delano, Mr. Foulk to Mr. Hamlin, Mr. Gidney to Mr. Miller, Mr. Stauffer to Mr. Williams.

"*Stenographers to members.*—Mr. Eddy to Mr. Harding, Mr. Titus to Mr. Hamlin, Mr. Ball to Mr. Delano, Miss Waters to Mr. Warburg, Miss Peiffer to Mr. Williams.

"*Counsel's office.*—Mr. Harrison, assistant counsel; Mr. Bradley, secretary to Counsel Elliott.

"*Secretary's office.*—Mr. Stuart, secretary to Secretary Willis, Mr. Burklin, stenographer.

"*Stenographers.*—Mrs. Woodford, Mrs. Croghan, Mrs. Starr, Mrs. Richardson, Mrs. Marvin, Miss Doocy, Miss Mickley, Mr. Moran.

"*Clerks.*—Mr. Kitzmiller (file clerk), Mr. Jemison (file clerk), Mr. Fountain (bookkeeper, temporary), Miss Townsend (skilled in typewriting), Mr. Shea (mail messenger).

"*Typists.*—Miss Milliken, Mrs. Clark.

"Mrs. Rice, multigraph operator.

"Miss Meyers, mimeograph operator and typist.

"Miss Oberndorfer, telephone operator.

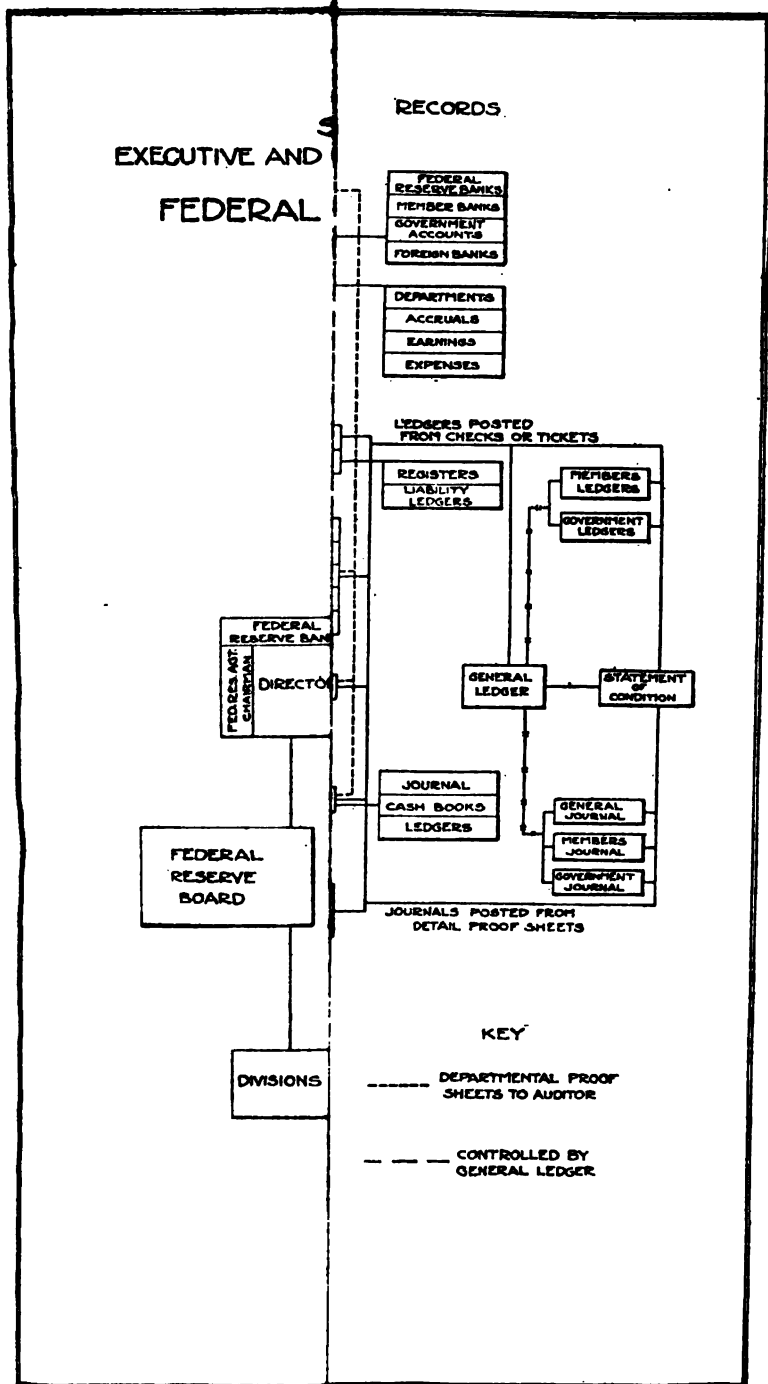
"*Messengers.*—J. De Haven, W. Evans, W. Fletcher, I. Fantroy, F. Killingsworth, H. Nicholson, T. Robinson, C. Johnson.

"*Charwomen.*—F. Thomas, M. Romero, A. Fisher.

"Total of 45 employees on roll.

TOTAL PAY ROLL.

	Aggregate salaries on an annual basis.
6 private secretaries, at \$2,500 per year.....	\$15,000
4 stenographers to Members, at \$1,200 per year.....	4,800
1 stenographer to Mr. Hamlin, at \$1,400.....	1,400
1 assistant to counsel, at \$2,400 per year.....	2,400
1 secretary to counsel, at \$1,500 per year.....	1,500



	Aggregate salaries on an annual basis.
2 stenographers, Secretary's Office, \$1,400 and \$1,200.....	\$2, 600
2 file clerks, at \$1,800 and \$1,080.....	2, 880
1 bookkeeper, at \$1,600 (temporary).....	1, 600
1 chief stenographer, at \$1,800.....	1, 800
7 stenographers, at \$1,000.....	7, 000
2 typists, at \$1,000.....	2, 000
1 machine operator, at \$900.....	900
1 machine operator and typist, at \$1,000.....	1, 000
1 telephone operator.....	600
1 clerk skilled in typewriting, at \$800.....	800
1 stenographer, at \$900.....	900
8 messengers at \$600.....	4, 800
1 mail messenger, at \$600.....	600
3 charwomen, at \$240.....	720
	\$53, 300
Board:	
5 members, at \$12,000 per year.....	60, 000
1 member, at \$7,000 per year.....	7, 000
Counsel.....	7, 500
Secretary.....	6, 000
Assistant Secretary.....	4, 500
	85, 000
Total.....	138, 300
Joseph A. Broderick, chief of Division of Audit and Examination, with duties in the field.....	6, 000
H. Y. Brooke, special examiner.....	3, 600
	147, 900

"The reduction in the number of those employed when the Federal Reserve Board took over the work of the organization committee left about 30 persons to be placed upon a list of those eligible for temporary reemployment pending the establishment of an eligible list through the application of an approved test of fitness. Two of these were dropped from the list. Two have been reemployed in the Division of Insolvent Banks of the Treasury Department, as follows: Miss Barnard and Miss Collison.

"Seven have been temporarily reemployed by the Comptroller of the Currency in the Division of Issue, Federal reserve notes, as follows: Mrs. Harris, Miss Haskins, Mrs. Lewis, Miss Wofford, Miss Monney, Mr. De Motte, and Mrs. Wedderburn.

"Those reemployed by the Federal Reserve Board have been taken in order of their standing on the rolls of the organization committee. Their names are Mrs. Clark, Miss Milliken, typists, and Miss Townsend, clerk, with knowledge of stenography and typewriting.

"One clerk, Mr. Underwood, declined employment at the rate of \$87.66 per month, proposed as a beginning salary.

"This leaves available for reemployment the following, who are listed male and female, in order of rating:

"Female: Mrs. Walker, Miss Cocoran, Mrs. Taylor, Mrs. Overby, Miss Smith, Mrs. Ferguson, Mrs. Blackstone, Mrs. Blanchard, Mrs. Thompson, Mrs. Colmesnell, Mrs. Campbell. Male: Mr. Hoover, Mr. Thompson, Mr. Keller, Mr. Christian, Mr. Castle."

"The board by resolution of October 20, 1914, has authorized the Comptroller of the Currency to establish a 'reimbursable roll' for the purpose of caring for Federal reserve notes and left it to the comptroller's discretion to select his personnel for this staff. The personnel of the bureau in question being left to the discretion of the Comptroller of the Currency, is consequently outside of the jurisdiction of this office.

"H. PARKER WILLIS, *Secretary.*"

From this report it will be seen that a staff of 40 persons was taken over from the organization committee's staff, which had numbered 72.

The board in view of the very large number of applicants for positions (some 1,250), felt that some equitable method must be found of selecting those worthy of consideration, many of whom lived far away from Washington. As a result of considerable study of the question, the board voted, under date of October 5,

to invite the Civil Service Commission to make suggestions and recommendations as to the kind of examinations which might properly be instituted for the purpose of selecting the personnel. The recommendations of the Civil Service Commission were accepted with some modifications, and the board determined to avail itself of the Civil Service Commission's machinery for carrying on its examinations, it being understood that this was done without being in any way bound by civil service rules or restrictions, as these had been specifically exempted under section 10, paragraph 1 of the Federal reserve act. Under this arrangement examinations for fitness were announced for December 9 in approximately 400 cities to such applicants as desired to avail themselves, it being explained to them by notice that the number of possible vacancies was few, while the number of applicants was many. The actual number of those presenting themselves for examination was 461, and as a result of this examination a total eligible list of about 237 names has been obtained and classified as follows: Messengers, bookkeepers, stenographers and typewriters, clerks.

The Federal Reserve Board had on December 31, 1914, the following staff of employees. This list includes all those upon its rolls except the members of the board.

Permanent:

H. Parker Willis, secretary, New York.....	\$3,000
Sherman P. Allen, assistant secretary, Vermont.....	4,500
Milton C. Elliott, counsel, Virginia.....	7,500
Joseph A. Broderick, chief of division of audit and examination, New York.....	6,000
Morris Jacobson, chief of division of statistics, New York.....	3,600
William M. Imlay, disbursing officer, Maryland.....	2,000
Hadley Y. Brooke, examiner in the field, Alabama.....	3,600
Private secretaries to members—	
Louis C. Adelson, Alabama.....	2,500
W. T. Chapman, New York.....	2,500
John De La Mater, Illinois.....	2,500
Oliver E. Foulk, Missouri.....	2,500
Ray M. Gidney, California.....	2,500
George E. Stauffer, Pennsylvania.....	2,500
Stenographers to members—	
Randolph P. Titus, New York.....	1,400
Charles H. Ball, North Carolina.....	1,200
Walter L. Eddy, Rhode Island.....	1,200
Alvan L. Fowler, jr., Maryland.....	1,200
Louise E. Peiffer, Ohio.....	1,200
Lucy G. Waters, District of Columbia.....	1,200
Stenographers in secretary's office—	
Nelson Stuart, New York.....	1,400
Temporary:	
Reyburn R. Burklin, Texas.....	1,200
Donald W. Cook, District of Columbia.....	900

COUNSEL'S OFFICE.

Permanent:

George L. Harrison, assistant counsel, Massachusetts.....	2,400
C. S. Bradley, stenographer, Maryland.....	1,500
Stenographers—	
Beatrice C. Woodford, in charge, New York.....	1,800
Ollie M. Croghan, New York.....	1,000
Mary W. Marvin, Colorado.....	1,000
Helen J. P. Starr, Ohio.....	1,000
Mabel Mickley, Pennsylvania.....	1,000
L. C. Richardson, Maryland.....	1,000
Helena T. Doocy, District of Columbia.....	1,000
P. C. Moran, District of Columbia.....	900
File clerks—	
H. W. Kitzmiller, Ohio.....	1,800
W. W. Jemison, Delaware.....	1,200
Clerks—	
Nellie G. Myers, Ohio.....	1,000
Margaret A. Rice, District of Columbia.....	900
John V. Shea, Connecticut.....	720
Pauline Oberdoerfer, District of Columbia.....	600

Permanent—Continued.

Messengers—

Frank H. Killingsworth, captain, South Carolina.....	\$680
Thomas L. Robinson, Virginia.....	600
Harvey S. Nicholson, New Jersey.....	600
Carlisle Johnson, District of Columbia.....	600
Wilson Fletcher, District of Columbia.....	600
Irving Fantroy, District of Columbia.....	600
William Evans, jr., District of Columbia.....	600
John De Haven, Kentucky.....	600

Temporary:

Stenographers—

Louis D. Wine, District of Columbia.....	1,000
Nannie T. Steger, Virginia.....	1,000
M. Grace Townsend, Illinois.....	800

Clerks—

Inez M. Clark, California.....	1,000
Nannette Milliken, District of Columbia.....	1,000
Frank V. Grayson, District of Columbia.....	600
James Hoover, Maryland.....	600

3 charwomen, at \$240 each..... 720

Total..... 89,500

The total number of employees of the Federal Reserve Board on December 31, 1914, according to States was as follows:

Permanent: District of Columbia, 9; New York, 8; Ohio, 4; Maryland, 4; California, 2; Virginia, 2; Alabama, 2; Pennsylvania, 2; Connecticut, 1; Vermont, 1; North Carolina, 1; Rhode Island, 1; Illinois, 1; Missouri, 1; Massachusetts, 1; Delaware, 1; Colorado, 1; South Carolina, 1; Kentucky, 1; New Jersey, 1. Total, 45.

Temporary: District of Columbia, 5; Texas, 1; Illinois, 1; Virginia, 1. Total, 8.

Grand total, 53. Three charwomen not included.

The following letter, which shows the skeleton organization of the Federal Reserve Board, on taking over the work of the Reserve Bank Organization Committee, was sent to each member of the organization committee force not retained by the board.

"In taking over on Monday, November 2, 1914, the work which has been done by the employees of the Reserve Bank Organization Committee the Federal Reserve Board has determined to assemble only a small clerical force distributed as follows:

"Offices of members of board: Private secretaries, 6; stenographic clerks, 5; messengers, 5; total, 16. Secretary's office: Secretary, 1; assistant secretary, 1; stenographic clerks, 3; messenger, 1; total, 6. Correspondence Division: Chief stenographer, 1; stenographers, 8; file clerks, 2; machine operators, 2; clerk to disbursing officer, 1; messengers, 2; telephone operator, 1; bookkeeper, 1; total, 18. Counsel's office: Counsel, 1; stenographer, 1; messenger, 1; total, 3.

"It is contemplated that a division of reports and statistics will be created in the near future with a force at the beginning consisting of a chief of division, a stenographer, and a messenger; and in like manner a division of examination and audit with a force at the beginning consisting of a chief of division, a stenographer, and a messenger.

"The board regrets that in this preliminary organization there is no place to which you can be appointed. Arrangements are being made to apply a test of efficiency to those who have made application to the board for employment as messengers, clerks, stenographers, bookkeepers, etc. Pending the application of this test and the determination of its result the board will probably find it necessary to employ temporary assistance and it will be very glad to keep in its files your address and telephone number that you may be offered such temporary employment when necessity for it arises.

"Respectfully,

"H. PARKER WILLIS, *Secretary.*"

The Federal reserve act has provided for the care and shipment of Federal reserve notes through the Comptroller's office, it being the intention of the act, as expressed in section 11, paragraph (d), that the Comptroller should attend to this phase of the work and render an account therefor to the Federal Reserve Board, the same to be paid by it from its funds obtained from levy on the banks.

Acting in accordance with this provision, the Comptroller of the Currency on October 31 presented to the Board a plan for the establishment of a reimbursable roll of employees whose functions it would be to perform the duty of obtaining, shipping, and caring for Federal reserve notes. The Board received the plan and ordered it placed on file, authorizing the Comptroller to continue, as provided by the act, to direct the disposition of the notes. Under this authority, the Comptroller of the Currency created a bureau or division, originally including a staff of 7 persons, but since increased to 22 persons. Disbursements for the maintenance of this division have been made as follows on statements authorized and approved by the Comptroller: November 16, \$521.34; November 30, \$845.82; December 15, \$842.19; December 31, \$818.52.

This Division of the Comptroller's office had up to December 31, 1914, received, counted, and stored Federal reserve notes to the amount of \$193,260,000, and of this amount it had delivered to the 12 Federal reserve banks on the order of the Federal Reserve Board notes to the amount of \$37,540,000.

CLASSIFICATION OF FUNCTIONS.

The organization of the board was carried further by establishing, under the direction of the secretary's office, three divisions, the first entitled "Correspondence Division," the second "Division of Audit and Examination," and the third "Division of Reports and Statistics." Supervision of the Correspondence Division comes directly under the office of the Secretary, while Mr. Joseph A. Broderick, of New York, was appointed Chief of the Division of Audit and Examination, and Mr. Morris Jacobson, of Washington, D. C., associate statistician for the Interstate Commerce Commission, was placed in charge of the Division of Reports and Statistics by an arrangement with the commission which permitted him to enter the service of the board for a specified period. Acting upon the recommendations of Mr. Broderick, further organization and functions were provided for the Division of Audit and Examination, as follows:

DIVISION OF AUDIT AND EXAMINATION.

The functions of the Division of Audit and Examination as determined by the board were provided for as follows:

1. EXAMINATION AND AUDIT OF FEDERAL RESERVE BANKS.

- (a) Federal reserve banks.
- (b) Books and accounts of Federal reserve agents.

(a) Federal reserve banks.

Section 11, paragraph A, authorizes and empowers the Federal Reserve Board "to examine at its discretion the accounts, books, and affairs of each Federal reserve bank."

Section 21, paragraph 5, provides that the "Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank, and upon joint application of 10 member banks the Federal Reserve Board shall order a special examination and report of the condition of any Federal reserve bank."

The law provides for an examination of each Federal reserve bank at least once a year, but it is proposed that examinations shall be held ordinarily twice each year, covering a thorough investigation of rediscounts, collateral loans, investments, and open-market transactions, particular attention being paid to compliance with the provisions of the Federal reserve act and regulations promulgated by the Federal Reserve Board.

Paper accepted for rediscount should be analyzed in order to determine its eligibility under the regulations issued. Inquiry should also be made as to the condition of member banks offering paper for rediscount. Every examination should cover a complete audit of the bank and a report made to the Federal Reserve Board as to the condition of each bank, competency of management, adequacy of records, and attention given by the directors to the affairs of the reserve bank. Attention should be called to any unsafe or unsound condition, or any vicious tendency that might appear in any department of the bank.

(b) Federal reserve agent.

Section 11, paragraph I: The Federal Reserve Board shall be authorized "to require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money, or property of any kind deposited in the hands of such agents, * * * and make all rules and regulations necessary to enable said board effectively to perform the same."

The records and accounts of the Federal reserve agent in each Federal reserve district shall be examined at least quarterly, and a complete report made to the Federal Reserve Board. The examination shall cover a verification of the money, Federal reserve notes, and collateral in the hands of the Federal reserve agent.

2. SPECIAL EXAMINATIONS OF MEMBER BANKS OR BANKS APPLYING FOR MEMBERSHIP.

(A) Member banks.

Section 11, paragraph A: The Federal Reserve Board shall be authorized "to examine at its discretion the accounts, books, and affairs of each Federal reserve bank and of each member bank."

It is expected that the exercise of this function will be confined to special examinations or investigations to be made only when deemed necessary by the Federal Reserve Board, or with the approval of the board upon a request by any Federal reserve bank. The primary purpose of such examination should be to ascertain the condition of a member bank or of the lines of credit which are being extended by it.

The Federal reserve act also grants authority to the Comptroller of the Currency and to the Federal reserve banks the right to examine member banks. Therefore, in order to prevent confusion and secure cooperation and coordination with the examinations of national banks by the examiners on the staff of the Comptroller of the Currency and in order to avoid duplication in examinations a plan has been suggested, details of which are embodied in the report of a special committee on this subject appointed by the comptroller, acting with a committee of your board, to suggest a means of standardizing the salaries of national-bank examiners and the method of assessing banks for the cost of such examinations. A copy of that portion of the report relating to the matter above referred to is attached to this memorandum.

(B) State institutions applying for membership.

Section 9, paragraph 2: "The organization committee or the Federal Reserve Board shall establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies for stock ownership in Federal reserve banks. Such by-laws shall require applying banks * * * to submit to the examination and regulations prescribed by the organization committee or by the Federal Reserve Board."

The examination of such institutions shall be made when ordered by the Federal Reserve Board. It is recommended, however, that all such applications shall be referred to the Division of Audit and Examination, which shall communicate with the reserve bank of the district and with the State banking authorities. In connection with this inquiry, the Division of Audit and Examination shall be authorized to call for such supplemental information as may be deemed necessary; for example, the following:

- (1) A copy of report of the last examination by State authorities.
- (2) Loans over a stated amount.
- (3) Real-estate investments, loans secured by real-estate collateral, loans secured by stock of real-estate corporations, real-estate mortgages, with data as to maturities.
- (4) The business, firm, and corporation affiliations of officers and directors.
- (5) A detailed statement of investments.

(C) Special examinations—State banks and trust-company members.

Section 21, paragraph 1: The Federal Reserve Board "may authorize examination by the State authorities to be accepted in the case of State banks and trust companies, and may at any time direct the holding of a special examina-

tion of State banks or trust companies that are stockholders in any Federal reserve bank."

The intent of the law seems to be to accept the examination made by State authorities wherever it can be done without discrimination. It should therefore be a function of this division to investigate the examining methods of State authorities, in order to ascertain whether or not the standard of examinations is such as to be acceptable to the Federal Reserve Board.

It will be necessary to request State authorities to furnish the Federal reserve banks information as to the condition of each State institution that is a member of the Federal reserve system. Whenever a special examination is necessary by either the Federal Reserve Board or a Federal reserve bank it is usually desirable that such examination should be made in connection with an examination made by State authorities.

3. SPECIAL INVESTIGATIONS.

Special investigations will be held only when deemed advisable or ordered by the reserve board, either when warranted by general business or other conditions. Applications for the establishment of domestic or foreign branches or of member banks to exercise trust company powers shall be investigated by this division.

4. CREDIT BUREAUS.

The establishment of credit bureaus in Federal reserve banks and of a central credit bureau at Washington is so closely related to examinations that it is desirable that the Division of Audit and Examination shall be responsible for the development of the system. The purpose of the credit bureau is to collect and record data concerning member banks and the standing of individuals, firms, and corporations discounting at and borrowing from these banks or selling paper to them. Furthermore, it is very desirable that credit bureaus be established in each Federal reserve bank, under the joint supervision of the Federal reserve agent and the governor of the bank, in order that material may be there collected, recorded, and indexed for the benefit of the board of directors or executive committee passing upon the paper offered for rediscount and open for inspection by examiners of the Federal Reserve Board.

Under the accounting system which has been adopted reports of various loans made are reported daily to the Washington office. It is proposed a few months hence to require a further weekly report giving the aggregate liability of the makers or payers of the paper rediscounted. This data will then be analyzed at the Washington office and recommendations made which will assist the credit bureaus of the different districts. It will be necessary to establish a system of cooperation and interchange of information between the district credit bureaus and also establish cooperation between national-bank examiners and the Federal reserve banks in each district. This subject is more fully covered in the report of the committee of examiners to the comptroller and the Federal Reserve Board, to which reference is now made.

5. REPORTS AND STATEMENTS.

Various detailed and periodical reports are forwarded to the Federal Reserve Board by the reserve banks. Information as to rediscounts and loans is received daily and the figures recorded on the records of the Division of Reports and Statistics. Loan reports will require careful analysis. The work of the Division of Reports and Statistics and that of the Division of Audit and Examination are so closely related that it is essential that close cooperation shall exist between the two.

6. AUDIT.

The board will determine later whether it will include under the Division of Audit and Examination a department for audit of bills for its own purchase of material or disbursements.

STAFF OF THE DIVISION OF AUDIT AND EXAMINATION.

The board does not contemplate making general examinations until January, 1915. The number of men who will be required on this work will depend entirely upon the extent of the special examinations and investigations demanded,

and it is expected to draw upon the staff of the Comptroller of the Currency for assistance in these examinations.

For the routine work of examination three to four Federal reserve examiners and, say, two assistant examiners will be necessary. An auditing clerk will be required to pass upon the bills for disbursement; a report clerk to analyze the reports made by the Federal reserve banks and record loan data on the credit bureau records will be needed. At least one stenographer will be required for the use of the division."

EXAMINATION OF MEMBER BANKS.

I. Section 11, paragraph —: The Federal Reserve Board shall be authorized (a) "To examine at its discretion the accounts, books, and affairs of each Federal reserve bank and of each member bank."

II. Section 21, paragraph 1, provides that "The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least twice in each calendar year and oftener if considered necessary. The Federal Reserve Board may authorize examination by State authorities to be accepted in case of State banks and trust companies."

III. Section 21, paragraph 3, provides that "In addition to the examination made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Federal Reserve Board provide for special examination of member banks within its district. * * * Such examinations shall be so conducted as to inform the Federal reserve bank of the condition of its member banks and of the lines of credit which are being extended by them."

The law requires that two examinations of every member bank shall be made in each calendar year by examiners appointed by the Comptroller of the Currency. An exception is made, however, of State banks and trust companies where the Federal Reserve Board has authorized the acceptance of examinations by State authorities. It will be seen further that the Federal reserve act gives to the Federal Reserve Board the power to examine each member bank, and also that each Federal reserve bank has the power to examine its member banks.

At present many banks supplement Federal or State examination by independent examinations by clearing-house examiners, public accountants, or directors. State institutions are examined by State bank examiners, and under the laws of some States compulsory examinations by directors are also required.

If advantage is taken of the right to examine member banks by all of the authorities upon whom the power is conferred it will place member banks under continuous examination at a tremendous expense, cause duplication and confusion, and defeat the purpose which the law is intended to serve. The law contemplates not an increase in examinations, but rather an increase in the effectiveness of examinations in both city and country districts.

SUGGESTIONS AS TO EXAMINATIONS—MEMBER BANKS.

(a) *National bank examinations.*—It is plainly the intent of the law that all regular examinations of member banks shall be made by national bank examiners. The act permits the Federal Reserve Board to accept examinations by State authorities as to State banks and trust companies admitted to the Federal reserve system.

The primary purposes of all examinations are to ascertain that the institutions are solvent, that business is being conducted in accordance with the law, and to correct unsafe and unsound tendencies.

(b) *Federal reserve bank examinations.*—The primary purpose of such examinations is to "inform the Federal reserve bank of the condition of its member banks and of the lines of credit which are being extended by them."

In order to determine the line of rediscount which may be safely and wisely extended, the Federal reserve bank in each district will be interested in obtaining detailed information concerning each member bank, as to financial condition, character of management, competency of officers and directors, care exercised in granting and checking credits, customs in extending accommodation to directors and officers, or to corporations which they may own, control, or be interested in, and relations with large borrowers.

The necessary information could be obtained by the national bank examiners in connection with the regular examination. If the plan of cooperation is approved, it is suggested that the Federal reserve agent be furnished with—

1. Record of loans over a stated amount as shown at each examination, in order that the data may be recorded on the credit bureau records and made available for future reference.

2. Such other information as may be desired by the Federal reserve bank.

3. Copies of the reports of examinations of member banks, upon request made to the supervising national bank examiner of the district. These copies to be later returned to the supervising examiner.

Under the proposed plan of cooperation between the Federal reserve banks and the national bank examination system information will be obtained by the examiners for the use of each Federal reserve bank. On the other hand, the records will be available to the examiners for use at subsequent examinations. Each bank will have a record of the business, firm, and corporation affiliations of directors and officers of each member bank, credit information concerning member banks and the standing of borrowers, and record of failures and bankruptcies. The loan lists, after being recorded on credit bureau records, will be returned for use at following examinations.

If a special examination by an examiner appointed by a Federal reserve bank is thought to be necessary it should be made, whenever possible, in connection with the regular examination made by national or State examiners, but under no circumstances without the approval of the Federal Reserve Board.

(c) *Federal Reserve Board—Examination of member banks.*—The exercise of this function should be confined to special examinations or investigations, to be made when and as deemed necessary by the Federal Reserve Board, or with the approval of the board upon a request made by any Federal reserve bank. It will frequently be desirable to have the examination made by national-bank examiners acting under assignment or instructions from the Comptroller of the Currency in cooperation with the Federal Reserve Board.

EXPENSES OF EXAMINATION.

Federal Reserve Board examinations.—Section 10 of the Federal Reserve act provided that "The Federal Reserve Board shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees."

It is apparent that the expenses of examinations made by direction of the Federal Reserve Board must be provided for in the semiannual assessment above referred to. In connection with the preliminary examination of State institutions seeking admission it may be possible to charge the institutions investigated the actual expenses incurred.

December 3, 1914.

EXHIBIT D.

STATUS OF FEDERAL RESERVE BOARD.

Secretary McAdoo on December 19 made public the following opinion from the Attorney General:

OFFICE OF THE ATTORNEY GENERAL,

Washington, D. C.

The honorable the SECRETARY OF THE TREASURY,

Washington, D. C.

SIR: I have the honor to acknowledge your letter of October 29, 1914, wherein you request my opinion (a) whether accounts of moneys derived from the semiannual assessment to be levied on Federal reserve banks by the Federal Reserve Board are subject to audit by one of the auditors of the Treasury Department, and (b) as to the status of the Federal Reserve Board, particularly with reference to the Treasury Department.

Section 10 of the "Federal reserve act" of December 23, 1913 (the act authorizing the assessment), provides:

"The Federal Reserve Board shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus,

an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levy of such assessment, together with any deficit carried forward from the preceding half year."

The answer to your first question depends on whether the moneys so levied by the Federal Reserve Board are, when received, "public moneys." If so, they are clearly to be audited under sections 7 and 10 of the act of July 31, 1894 (28 Stat., 207), either by the auditor provided for in the first paragraph of said section 7 or by the auditor provided in the fifth paragraph, such paragraphs (so far as material) reading as follows:

First. "The Auditor for the Treasury Department shall receive and examine all accounts of salaries and incidental expenses of the office of the Secretary of the Treasury and all bureaus and offices under his direction, all accounts relating to * * * and all other business within the jurisdiction of the Department of the Treasury and certify the balances arising thereon to the Division of Bookkeeping and Warrants."

Fifth. "The Auditor for the State and other departments shall receive and examine all accounts of * * * and accounts of all boards, commissions, and establishments of the Government not within the jurisdiction of any of the Executive Departments. He shall certify the balances arising thereon to the Division of Bookkeeping and Warrants."

Section 10 (so far as material) provides for a Division of Bookkeeping and Warrants, and that—

"Upon the books of this division shall be kept all accounts of receipts and expenditures of public money," etc.

Reference is also to be made to the act of February 19, 1897 (29 Stat., 550), reading (so far as material) as follows:

"All books, papers, and other matters relating to the office or accounts of * * * commissions, boards, and establishments of the Government in the District of Columbia, shall at all times be subject to inspection and examination by the Comptroller of the Treasury and the Auditor of the Treasury authorized to settle such accounts, or by the duly authorized agents of either of said officials."

(This statute plainly applying to boards, etc., located within the District of Columbia, rather than to boards of the District government, and the Federal Reserve Board being located within the District.)

I am of opinion that moneys received by the Federal Reserve Board, under section 10 of the act of December 23, 1913, are "public moneys" within the meaning of these auditing statutes, for the following reasons, among others:

(1) The assessments are levied by a board whose members, in respect to appointment, tenure, duties, and compensation, meet all requirements of the definition "public officers" and "officers of the United States".

(2) The assessments are levied by such officers pursuant to the provision of a Federal statute and are devoted to the payment of official salaries and the expenses of this official board.

(3) These moneys after collection, are no longer the property of the paying banks, and must be viewed as moneys belonging to the United States, and therefore public moneys as defined by the Supreme Court of the United States in *Branch v. United States*, 100 U. S., 673. In *United States v. Bromley* 12 How., 88, it was held that postal collections from stamp sales are public revenues:

"The revenue of the Post Office Department being raised by a tax on mailable matter conveyed in the mail and which is disbursed in the public service, is as much a part of the income of the Government as moneys collected for duties on imports."

The analogy is marked for the reason that in like manner as the money assessed by the Federal Reserve Board is for the special purpose of meeting the salaries and expenses of the board, so the use of the postal collections is confined to sustaining the specific service by and in which they are collected.

(4) Other provisions of the Federal reserve act (secs. 11-c and 16), dealing with the interest charges, taxes, and penalties, can only be satisfied by deposit in the Treasury of the levies, taxes, and penalties so imposed, and there seems to be no logical ground for distinction between such assessments and the ones in question. The idea of necessary public control is also strengthened by the requirements of Revised Statutes, section 3639.

The moneys received by the Federal Reserve Board under section 10 of the act of December 23, 1913, being thus, in my opinion, public moneys, and consequently subject to audit by one of the auditors of the Treasury Department,

the question is then directly presented under which paragraph of the act of July 31, 1894, *supra*, the audit is to be made. This involves the further question on which you have asked my opinion, namely, whether the Federal Reserve Board is an independent board, commission, or Government establishment, or whether it is a bureau, office, or division, or otherwise a part of the Treasury Department.

That the Federal Reserve Board is a "board" or "establishment" of the Government within the meaning and intent of those words as used in the fifth paragraph of section 7 of the act of July 31, 1894, is plain from the provisions of the Federal reserve act and the explanation of the status of the board contained in the reports accompanying the original bills in Congress. This conclusion is sustained by reason and analogy when reference is had to the considerable number of boards or establishments of far less general or national scope which have been so esteemed and uniformly treated. (See Report of Joint Commission to Inquire into Executive Departments, Oct. 9, 1893. House Reports, 1st sess. 53d Cong., Report No. 88.)

Consideration of the history of the Federal reserve bank act, of the general scheme of the whole act, of the functions to be performed by the Federal Reserve Board, and of the method of their performance, leads me to the clear opinion that the board is an independent board or Government establishment.

The Federal Reserve Board is not merely a supervisory, but is a distinctly administrative board with extensive powers. It is described as follows in the report of the Committee on Banking and Currency to the House of Representatives (63d Cong., 1st sess., Report No. 69):

Page 16: "In order that these banks may be effectively inspected and in order that they may pursue a banking policy which shall be uniform and harmonious for the country as a whole, the committee proposes a general board of management intrusted with the power to overlook and direct the general functions of the banks referred to. To this it assigns the title of 'The Federal Reserve Board.'" * * *

Page 18: "The only factor of centralization which has been provided in the committee's plan is found in the Federal Reserve Board, which is to be a strictly Government organization created for the purpose of inspecting existing banking institutions and of regulating relationships between Federal reserve banks and between them and the Government itself."

Page 42: "Section 11. In this section provision has been made for the creation of a general board of control acting on behalf of the National Government * * *"

The report of Senator Owen from the Senate Committee on Banking and Currency (63d Cong., 1st sess., Report 133, part 2) says merely:

"The Federal Reserve Board, consisting of the Secretary of the Treasury and six members appointed by the President of the United States and confirmed by the Senate for terms of six years, are given the following powers:" (Here follows an enumeration of powers.)

The broad functions outlined in these reports are assigned to the board in 12 subdivisions of section 11 of the act giving to it certain powers and authority, and in various other sections containing specific grants of authority to exercise about 40 other powers. Moreover, in subdivision (4) of section 11 the all-embracing requirement appears that "said board shall perform the duties, functions, or service specified in this act and make all rules and regulations necessary to enable said board effectively to perform the same."

The act further contains no express provision that the Federal Reserve Board shall be considered as a bureau, division, or office of the Treasury Department, a significant omission in view of the fact that Congress had under consideration a bureau of that department when, in section 16, it amended the Revised Statutes relative to that "bureau," of which the Comptroller of the Currency was the "chief officer"; and the provision in section 10 that "the Secretary of the Treasury may assign offices in the Department of the Treasury for the use of the Federal Reserve Board"—a provision added to the House bill by the Senate committee—would be highly superfluous if the board were a bureau of that department for which the Secretary already possessed complete authority to assign offices in his own departmental buildings.

The history of the bill develops the following facts of significance:

In section 11 of H. R. 7837 (sec. 10 of the act), it is provided:

"The manager of the Federal Reserve Board, subject to the supervision of the Secretary of the Treasury and Federal Reserve Board, shall be the executive officer of the Federal Reserve Board."

This clearly contemplated that the Secretary of the Treasury and the Federal Reserve Board were distinct entities.

In the act as passed (sec. 10) the supervision of the Secretary of the Treasury is stricken out, leaving the governor (manager) subject only to supervision of the board.

In section 16 of H. R. 7837 (sec. 16 of the act) it is provided:

"The Secretary of the Treasury shall, subject to the approval of the Federal Reserve Board, from time to time apportion the funds of the Government among the said Federal reserve banks, distributing them, as far as practicable, equitably between different sections. * * *"

This also contemplated the Secretary and the board as coordinate officials. The whole provision was stricken from the act as passed, but nothing was substituted for it.

In section 11 of H. R. 7837 (sec. 10 of the act) the Comptroller of the Currency was to perform his duties "under the general direction of the Secretary of the Treasury acting as chairman of the Federal Reserve Board."

In the act as passed the words "acting as chairman of the Federal Reserve Board" were stricken out, showing an intention to distinguish clearly between placing the comptroller under the Secretary as head of the Treasury Department and the Secretary as ex officio chairman of the board.

The most significant change made in H. R. 7837 by the act as passed was the insertion in section 10 of the act of the following clause:

"Nothing in this act contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department and bureaus under such department, and wherever any power vested by this act in the Federal Reserve Board or the Federal reserve agent appears to conflict with the powers of the Secretary of the Treasury such powers shall be exercised subject to the supervision and control of the Secretary."

It is evident that, while the purpose of this clause was, amongst other things, to insure the preservation and supremacy of all existing powers of the Secretary of the Treasury in all cases where it might be claimed that such powers overlapped or conflicted with those of the Federal Reserve Board, nevertheless by this very provision the act clearly recognized the existence of powers of the board independent of the Secretary in cases where no such conflict existed.

Very respectfully,

(Signed)

T. W. GREGORY,
Attorney General.

EXHIBIT E.

CIRCULARS AND REGULATIONS FEDERAL RESERVE BOARD.

Regulation No. 1.]

FEDERAL RESERVE BOARD,
Washington, August 28, 1914.

PROCEDURE IN APPEALS FROM DECISION OF THE RESERVE BANK ORGANIZATION COMMITTEE.

1. *Petitions for changes in designation of Federal reserve cities.*—Petitions for review of the action of the reserve bank organization committee in designating Federal reserve cities must be signed by duly authorized officers of a majority of the member banks located in the city requesting a review.

Such petitions must set forth briefly the grounds and reasons relied upon for such review.

Within five days after mailing said petition the petitioner shall file 20 copies of a brief setting forth fully the grounds relied upon for a review of the action of said reserve bank organization committee.

The secretary of the board shall notify all member banks in the Federal reserve city of the district in question that such petition has been filed, and shall request such banks to designate a representative to act for such city at the hearing thereon. He shall also send to the representative of such banks, when designated, a copy of the brief filed by the petitioner, and said representative shall be given seven days within which to file 20 copies of his brief in reply.

The Federal Reserve Board will thereupon fix a date for the hearing of oral arguments by counsel, which arguments will be limited to one hour on each side.

The board will not hear testimony, but the parties will be limited to the record before the organization committee.

The record need not be printed, but reference may be made in the briefs by page to the report filed by the organization committee with the Senate of the United States and ordered printed, and may likewise be made by page and volume to the typewritten testimony of the witnesses appearing before the organization committee at the hearings held by the committee.

2. *Petitions for changes in the geographical limits of Federal reserve districts.*—Petitions for review of the determination of Federal reserve districts by the organization committee must be signed by duly authorized officers of at least two-thirds of the member banks in the territory which the petition asks to have taken out of one district and annexed to another.

Proceedings as to notice, filing of briefs and arguments shall be the same as for petitions for changes in the designation of Federal reserve cities, except that the board of directors of the Federal reserve bank and not the member banks in the Federal reserve city shall select the representative to appear and answer the petition. Class A and B directors elected may act, pending appointment of Class C directors, in the selection of such representative.

At all hearings held hereunder all questions of law or fact, including jurisdiction and powers of the Federal Reserve Board, may be argued.

FEDERAL RESERVE BOARD,
By CHARLES S. HAMLIN, Governor.

Regulation No. 2.]

FEDERAL RESERVE BOARD,
Washington, November 10, 1914.

That part of section 13 of the Federal reserve act which relates to rediscount operations of Federal reserve banks reads as follows:

"Upon the indorsement of any of its member banks, with a waiver of demand, notice, and protest by such bank, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than 90 days: *Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.

"Any Federal reserve bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital stock and surplus of the bank for which the rediscounts are made.

"The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

"Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus."

Section 19 of the Federal reserve act, relating to reserves, reads in part as follows:

"Any Federal reserve bank may receive from the member banks as reserves, not exceeding one-half of each installment, eligible paper as described in section fourteen properly indorsed and acceptable to the said reserve bank."¹

The announcement to be made by the Secretary of the Treasury on November 16 will bring into operation these two sections, and it is accordingly necessary that the several Federal reserve banks shall be advised of the characteristics that must be possessed by paper offered for rediscount to be acceptable under the terms of the act.

While section 13 provides that the Federal Reserve Board shall have the right to determine or define the character of the paper thus eligible for discount within the meaning of the act, the section referred to defines in general terms the elements which such paper must possess in order to be eligible.

All paper offered for discount under this section to any Federal reserve bank must conform to the following requirements:

First. It must be indorsed by a National or State bank or trust company which is a member of the Federal reserve bank to which it is offered for rediscount.

Second. Such bank must, with its indorsement, waive demand notice and protest.

Third. Paper so offered shall be in the form of notes, drafts, or bills of exchange arising out of commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes.

Fourth. If in the form of acceptances, they must be based on transactions involving the importation or exportation of goods and must have a maturity at the time of discount of not more than three months to run. They must furthermore be indorsed by at least one member bank, and the total amount offered shall in no event exceed one-half the paid-up capital stock and surplus of the bank offering same.

Fifth. The aggregate of notes and bills bearing the signatures or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed 10 per cent of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Subject to these limitations, it devolves upon the Federal Reserve Board to determine or define for the several Federal reserve banks (1) notes, drafts, and bills of exchange eligible for rediscount; (2) bank acceptances eligible for rediscount.²

The limitations relating to rediscount operations, contained in section 13 of the act, may be divided into two classes: First, those positive limitations under which such notes, drafts, and bills of exchange may be accepted for rediscount; and, second, those limitations specifically stating what paper shall be excluded.

If we begin with the latter, we find the very clear provision excluding all notes, drafts, and bills of exchange which are "issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities (except bonds and notes of the Government of the United States)." This clause does not require comment.

The act further excludes notes, drafts, and bills of exchange covering "merely investments."

Any funds employed in agriculture, commerce, or industry are quasi investments, and the emphasis is, therefore, to be laid on the word "merely" in this connection.

From this point of view are to be excluded all bills whose proceeds have been or are to be used in permanent or fixed investments of any kind. "Agricultural, industrial, or commercial purposes" can not, therefore, be held to include investments in land, plant, machinery, permanent improvements, or transactions of a similar nature.

¹ Attention is called to the fact that the error in the original act which refers to eligible paper, referred to in section 14, has been corrected by amendment approved Aug. 15, 1914, and this section now reads:

"Any Federal reserve bank may receive from the member banks as a reserve, not exceeding one-half of each installment, eligible paper as described in section thirteen properly indorsed and acceptable to the Federal reserve bank."

² Bank acceptances eligible for rediscount are defined in regulation No. 6.

The purchase of commodities for purposes which are merely speculative and not connected with an ultimate process of manufacturing or distribution would constitute a "mere" investment, and bills covering such investments are accordingly not eligible for rediscount.

In order to be eligible for rediscount bills must "arise out of actual commercial transactions," and "the proceeds must have been used or they are to be used for agricultural, industrial, or commercial purposes."

In like manner "notes, drafts, and bills of exchange secured by staple agricultural products or other goods, wares, or merchandise" are eligible for rediscount provided they arise out of "actual commercial transactions" covering some particular stage in the process of production and distribution.

They are not eligible when drawn to cover merely speculative investments.

CHARLES S. HAMLIN, *Governor.*

Regulation No. 3.]

FEDERAL RESERVE BOARD,
Washington, November 10, 1914.

Whenever a member bank shall offer for rediscount any note, draft, or bill of exchange bearing the indorsement of such member bank, with waiver of demand notice and protest, the directors or executive committee of the Federal reserve bank may, until January 15, 1915, accept as evidence that the proceeds of such note, draft, or bill of exchange were or are to be used for agricultural, industrial, or commercial purposes (and that such notes, drafts, or bills of exchange in other respects comply with the regulations of the board) a written statement from the officer of the applying bank that of his own knowledge and belief the original loan was made for one of the purposes mentioned, and that the provisions of the act and regulations issued by the board have been complied with.

CHARLES S. HAMLIN, *Governor.*

Regulation No. 4.]

FEDERAL RESERVE BOARD,
Washington, November 10, 1914.

From and after January 15, 1915, all notes, drafts, or bills of exchange offered for rediscount shall show on their face, or by indorsement, a statement substantially to the following effect:

"Eligible for rediscount with Federal reserve banks under regulations of the Federal Reserve Board Circular No. 13—

"Credit file No. _____.

"District No. _____.

"Name of member bank _____."

The credit file number shall refer to evidence in possession of the member bank that the proceeds of such notes, drafts, or bills of exchange, under the terms of the loans made or to be made, were, or are to be, used for agricultural, industrial, or commercial purposes, as required by section 13 of the Federal reserve act and as imposed by regulation No. 2 of the Federal Reserve Board, and such credit files shall be open to inspection by any examiner appointed by the Comptroller of the Currency or selected by the Federal reserve bank discounting same, and copies of such files, or any part thereof, shall be furnished to the officers of the Federal reserve bank upon request.

The credit files referred to should contain not only evidence of the purpose or purposes for which such loans are made but also full and complete information as to the financial responsibility of the borrower, including a short general description of the character of the business, balance sheet, and profit and loss account of the borrower. Assets should be divided into permanent or fixed investments, slow assets, and quick assets. On the liability side should be shown capital, long-time loans, and short-term loans. Short-term loans should be in proper proportion to quick assets, and the statement should contain satisfactory evidence that short-term paper is not being sold against permanent or slow investments. The statement should, furthermore, show the maximum aggregate amount up to which the concern supplying this paper expects to borrow on short credit or sale of its paper, and the individual, firm, or corporation giving the statement should obligate himself or itself to obtain the member bank's consent before exceeding the agreed limit. The affixing of the stamp stating such

paper to be eligible for rediscount will be considered a solemn and binding declaration by the member bank that the statement has been examined from this point of view and that the paper bought complies with all the requirements of the law and of the regulations hereby imposed.

CHARLES S. HAMLIN, *Governor.*

Regulation No. 5.]

FEDERAL RESERVE BOARD,
Washington, November 10, 1914.

Whenever notes, drafts, or bills of exchange offered for rediscount have a maturity of more than three but less than six months, and the Federal reserve bank has been satisfied in the manner provided by regulation No. 2 that the proceeds of loans applied for are used or are to be used for agricultural purposes or are based upon live stock, such notes, drafts, and bills of exchange may, until further notice, be accepted for rediscount in an aggregate amount not exceeding 25 per cent of the paid-in capital of the Federal reserve bank accepting same.

CHARLES S. HAMLIN, *Governor.*

Regulation No. 6.]

FEDERAL RESERVE BOARD,
Washington, November 10, 1914.

Whenever bank acceptances are offered for rediscount it must appear on the face of such acceptances that the proceeds thereof were used or are to be used in connection with a transaction involving the importation or exportation of goods; that is to say, it must appear that there has been an actual bona fide sale which involves the transportation of goods from some foreign country to the United States or from the United States to some foreign country.

CHARLES S. HAMLIN, *Governor.*

Regulation No. 7.]

FEDERAL RESERVE BOARD,
Washington, November 11, 1914.

Section 19 of the Federal reserve act provides in part as follows:

"Demand deposits within the meaning of this act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment."

Time deposits.—The term "time deposits" is interpreted to include any deposits subject to check upon which the bank has the right by written contract entered into with the depositor at the time the deposit was made to require from such depositor not less than 30 days' notice before such deposit or any part thereof may be withdrawn. Any agreement, written or verbal, entered into by a member bank with a depositor not to enforce the terms of such contract of deposit shall be construed as vitiating the contract, and any member bank reporting as time deposits any deposits on which it has not the right to require not less than 30 days' notice before withdrawal may be subject to the penalties prescribed by section 5209 of the Revised Statutes of the United States.

Savings accounts.—The term "savings accounts" shall be held to include those interest-bearing accounts which are carried with the bank under written agreement on the part of the bank to pay a specific rate of interest, which rate is to be paid to all other depositors having similar accounts and where the depositor is required to present his pass book with each check drawn. Savings accounts shall not be held to include any ordinary checking accounts where presentation of the pass book with the check is not required.

In the case of State banks and trust companies located in States whose laws require that funds accruing from savings accounts shall be invested in any particular class of securities, only those accounts whose balances are so invested and which are handled so as to comply with the technical requirements of the State laws shall be held to be savings accounts within the meaning of this act.

CHARLES S. HAMLIN, *Governor.*

Regulation No. 8.]

FEDERAL RESERVE BOARD,
Washington, November 23, 1914.

Each Federal reserve agent shall be required to execute a bond with acceptable security running to the United States in the penal sum of \$250,000, and each deputy Federal reserve agent shall be required to execute a like bond in the penal sum of \$150,000.

Treasury Department Form No. 280 has been approved and adopted by the Federal Reserve Board, with the necessary conditions inserted, so that the bond to be executed will be in the form following:

"Know all men by these presents that we, _____, of _____, as principal, and _____, as surety, are held and firmly bound unto the United States of America in the full and just sum of _____ thousand dollars (\$_____), lawful money of the United States, for which payment, well and truly to be made, we bind ourselves, jointly and severally, our joint and several heirs, executors, and administrators, successors, and assigns firmly by these presents.

"Sealed with our seals and dated this _____ day of _____, in the year one thousand nine hundred and _____.

"The condition of the foregoing obligation is such that whereas under the authority of the act of Congress approved December 23, 1913, and known as the Federal reserve act, the said _____ has been duly appointed by the Federal Reserve Board a class C director, and has been designated as Federal reserve agent of the Federal reserve bank of _____, and whereas the said _____ has executed his oath of office and entered upon his duties as _____.

"Now, therefore, if the said _____ shall well and truly execute and discharge all the duties of said office according to the laws of the United States and the regulations of the Federal Reserve Board made in conformity therewith, safely keeping and correctly accounting for and delivering to the party or parties entitled thereto all moneys, notes, securities, and other funds coming into his hands from time to time, without loaning, using, depositing in bank, or exchanging for other funds, except as allowed by law, then this obligation to be void and of no effect; otherwise to remain in full force and virtue.

"Sealed, signed, and delivered in the presence of—

"_____
"_____.

"_____
"_____.

CHARLES S. HAMLIN, Governor.

Regulation No. 9.]

FEDERAL RESERVE BOARD,
Washington, December 31, 1914.

LOANS ON FARM LANDS.

Section 24 of the Federal Reserve Act provides that—

"Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, but no such loan shall be made for a longer time than five years, nor for an amount exceeding 50 per cent of the actual value of the property offered as security. Any such bank may make such loans in an aggregate sum equal to 25 per cent of its capital and surplus, or to one-third of its time deposits, and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same."

National banks not located in central reserve cities may, therefore, now legally make loans secured by mortgages on real estate within the following limitations:

1. The real estate security must be farm land.
2. It must be improved.
3. There must be no prior lien; in other words, the lending bank must hold an absolute first mortgage or deed of trust.
4. The property must be located in the same Federal reserve district as the bank making the loan.
5. The amount of the loan must not exceed 50 per cent of the actual value of the property upon which it is secured.
6. The loan must be for a period not longer than five years.
7. The maximum amount of loans which a national bank may make on real estate under the terms of the act shall be limited to an amount not in excess

of one-third of its time deposits at the time of the making of the loan, and not in excess of one-third of its average time deposits during the preceding calendar year; provided, however, that if one-third of such time deposits as of the date of making the loan, or one-third of the average time deposits for the preceding calendar year, shall have amounted to less than one-fourth of the capital and surplus of the bank as of the date indicated, in such event the bank shall have authority to make loans upon real estate under the terms of the act to the extent of one-fourth of the bank's capital and surplus as of the date of making the loan.

In order that real estate loans held by a bank may be readily classified, a statement signed by the officers making a loan and having knowledge of the facts upon which it is based must be attached to each note secured by a first mortgage on improved farm land, certifying in detail as of the date of the loan that all the requirements of law have been duly observed.

The board calls attention to the closing paragraph of section 24 of the act, which provides that "the Federal Reserve Board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section," and gives notice that the foregoing regulations are subject to the authority of the board to revise the list of cities in which national banks shall not be permitted to make real estate loans in the manner above provided.

CHARLES S. HAMLIN,
Governor.
H. PARKER WILLIS,
Secretary.

FEDERAL RESERVE ACT—DUTIES AND POWERS OF THE ORGANIZATION COMMITTEE.

Circular No. 1.]

RESERVE BANK ORGANIZATION COMMITTEE,
Washington, D. C., February 14, 1914.

In view of the large number of inquiries received from both national and State banks as to the proper interpretation of various sections of the Federal reserve act, it is deemed advisable to explain, as briefly as the circumstances will permit, the operation of this act in so far as it relates to the duties and powers of the organization committee and the method of procedure adopted by the committee. For convenience, these duties are considered in their chronological order.

First. Section 2 of the Federal reserve act provides as follows:

"Under regulations to be prescribed by the organization committee, every national banking association in the United States is hereby required, and every eligible bank in the United States and every trust company within the District of Columbia, is hereby authorized to signify in writing, within 60 days after the passage of this act, its acceptance of the terms and provisions hereof."

It will be observed that under the provisions of this section *all* national banks are *required*, and all other eligible banks are *permitted*, to signify their acceptance of the provisions of this act within 60 days from its passage. Banks should not confuse this notice to the committee with the formal application for stock to be filed later.

To facilitate compliance with this provision of the act, the committee has forwarded to all national banks a prescribed form of resolution to be adopted by the boards of directors of such banks, and upon request from State banks is forwarding a prescribed form of resolution for use by such banks. When certified copies of such resolutions have been received and filed no other action by applying banks is necessary until the locations of the several Federal reserve banks have been established by the committee, and the districts to be served by such banks have been defined.

The Committee is now engaged in holding hearings in various parts of the United States in order to have before it as much information as possible to enable it to properly determine the locations of such banks and the districts to be served.

Section 2 further provides as follows:

"When the organization committee shall have designated the cities in which Federal reserve banks are to be organized and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within 30 days after notice from the organization committee to subscribe to the capital stock of such Federal reserve bank in

a sum equal to 6 per cent of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the organization committee or of the Federal Reserve Board, one-sixth within three months, and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates."

This section should be read in connection with section 4 of the Federal reserve act, which reads as follows:

"When the organization committee shall have established Federal reserve districts as provided in section 2 of this act a certificate shall be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal reserve city designated in each of such districts. The Comptroller of the Currency shall thereupon cause to be forwarded to each national bank located in each district, and to such other banks declared to be eligible by the organization committee which may apply therefor, an application blank in form to be approved by the organization committee, which blank shall contain a resolution to be adopted by the board of directors of each bank executing such application, authorizing a subscription to the capital stock of the Federal reserve bank organizing in that district in accordance with the provisions of this act."

It will be observed from the foregoing that the Comptroller of the Currency will cause to be forwarded to those banks which have signified their intention to become members of Federal reserve banks a form of application to be executed by such banks after the districts have been laid out and the location of the Federal reserve banks definitely established by the organization committee. These forms will be forwarded in due course, and, in accordance with the further provisions of the act, when the minimum amount of stock for any Federal reserve bank has been subscribed the committee will designate five banks to execute the necessary organization certificate. Subscriptions to stock will therefore not be called by the committee until after these preliminary steps have been taken.

National banks as members.—Attention is called to the fact that all national banks are required to signify within 60 days from the passage of the Federal reserve act whether or not they accept the provisions of the act and intend to subscribe to the stock of the Federal reserve banks when organized.

That within 30 days after the organization committee has announced the designation of cities in which Federal reserve banks are to be organized, fixed the geographical limits to be served, and notified such national banks, all such national banks are required to subscribe to the capital stock of such Federal reserve banks. These provisions are clearly set forth in the Federal reserve act, and the committee will expect and require a strict compliance therewith.

A number of banks appear to be under the misapprehension that they are allowed 12 months' time in which to accept the provisions of the Federal reserve act. This limitation, which is manifestly intended to cause automatically a forfeiture of the charters of those banks failing to comply with the provisions of the act, must not be construed as extending the time specifically set out in the act within which such banks must take the action above outlined.

State banks as members.—The provisions relating to membership by State banks are, under the terms of the act, entirely optional. State banks are not required to signify within any given time their intention to become members, but are permitted to do so if they desire to become members as soon as Federal reserve banks are originally organized.

Two methods are prescribed by the Federal reserve act by which such banks may become members of the Federal reserve system. First, under section 8, by conversion of State banks into national banks, in which case the laws applicable to national banks become immediately operative as soon as such conversion is completed. Second, under section 9 State banks may become members, as State banks, retaining their State charters, in which case such banks are subject, specifically, to the provisions of the Federal reserve act contained in section 9, and to such other provisions of the act as are clearly applicable. Banks becoming members as State banks, therefore, may exercise those powers conferred by their State charters which are not in conflict with the specific provisions of the Federal reserve act.

State banks and trust companies signifying their intention to become members of the Federal reserve system before the organization of the Federal reserve banks will be permitted to participate in the selection of directors of said reserve banks, as prescribed by the Federal reserve act.

The committee has prescribed the regulations under which State banks and trust companies may become members, and a copy of such regulations, with the forms approved for use by such banks, will be furnished upon request of any State bank desiring to apply for membership in a Federal reserve bank.

M. C. ELLIOTT,
Secretary Reserve Bank Organization Committee.

Circular 2.]

RESERVE BANK ORGANIZATION COMMITTEE,
Washington, D. C., May 6, 1914.

SIR: In answer to a number of inquiries received and in order to expedite the organization of the several Federal reserve banks, your attention is called to the steps still to be taken before such banks can be fully organized, and particularly to the method of election of class A and class B directors by the member banks.

EXECUTION OF ORGANIZATION CERTIFICATE.

Section 4, paragraph 2, reads as follows:

"When the minimum amount of capital stock prescribed by this act for the organization of any Federal reserve bank shall have been subscribed and allotted, the organization committee shall designate any five banks of those whose applications have been received, to execute a certificate of organization, and thereupon the banks so designated shall, under their seals, make an organization certificate which shall specifically state," etc.

In accordance with this provision the committee will, not later than May 9, designate five banks in each district to execute the organization certificate provided for. To facilitate the incorporation of such banks the representatives of the banks so designated will be requested to meet promptly in the Federal reserve city of their respective districts so that the certificate which has been prepared by the committee may be executed and filed with the Comptroller of the Currency. When this has been done all subscribing banks, under the committee's interpretation, will be treated as member banks, and the election of electors and the nomination of directors may be immediately proceeded with.

ELECTION OF DIRECTORS.

A later paragraph of section 4 of the Federal reserve act reads in part as follows:

"The chairman of the board of directors of the Federal reserve bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee, shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number, by the chairman."

GROUPING OF BANKS.

In accordance with the above provision the organization committee will divide the banks of your district into three groups.

Group No. 1 will contain approximately one-third of the aggregate number of banks in your district and will be composed of banks of the largest capitalization.

Group No. 2 will include approximately one-third of the aggregate number of banks in your district and will embrace the banks having the next largest capitalization.

Group No. 3 will include approximately one-third of the aggregate number of banks in your district, being composed of those having the smallest capitalization.

While, under the terms of the statute, banks can not be officially grouped until the Federal reserve banks are incorporated, that is to say, until the organization certificate has been filed with the Comptroller of the Currency, an analysis has been made of those banks which have signified their intention to subscribe and for your information there is attached hereto as "Exhibit A"

a tentative analysis which will show, with slight variation, the group to which the banks of each of the several districts will be assigned.

DISTRICT RESERVE ELECTORS.

Section 4, continuing, reads as follows:

"At a regularly called meeting of the board of directors of each member bank in the district, it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups, and shall transmit one list to each elector in each group."

As all banks are required to send in their subscriptions not later than May 8, it is expected that the organization certificate will be filed with the Comptroller of the Currency by the several Federal reserve banks immediately thereafter, and it is, of course, desirable that the class A and class B directors should be regularly elected as soon thereafter as possible, and the class C directors appointed by the Federal Reserve Board.

Accordingly, if the member banks will arrange to hold meetings of their directors promptly, after the Federal reserve banks are incorporated, for the purpose of electing district reserve electors, and nominating candidates for class A and class B directors, the organization of the Federal reserve banks will be greatly facilitated.

The manifest purpose of electing district reserve electors is to obviate the necessity of convening the boards of the various member banks in order to vote on the nominees and as no elector should represent more than one bank it is suggested that each member bank select one of its own officers or directors to act in this capacity.

NOMINATION OF CANDIDATES.

Section 4, continuing further, reads as follows:

"Each member bank shall be permitted to nominate to the chairman one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within 15 days after its completion, be furnished by the chairman to each elector."

Under the Federal reserve act the organization committee, prior to the selection of class C directors, performs the duties and has the authority of the class C director who is chairman of the board of each Federal reserve bank.

Under the provisions of section 4, directors of class A shall be chosen by and be representative of the stockholding banks.

Directors of class B shall, at the time of their election, be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

The elector does not select the nominees whose names are to be placed on the ballot for class A and class B directorships, but the sole duty of the elector is to vote on the candidates after they have been nominated.

At the same meeting at which the district reserve elector is elected, each member bank may by its board of directors, nominate for its respective group, one candidate for class A and one candidate for class B directors.

Candidates for class A should be residents of the district and should be representative of the banks of the district. They may be officers, directors, or stockholders of any of the member banks located in the district and need not necessarily be officers, directors, or stockholders of any bank of the particular group of banks placing them in nomination, or of any other bank.

In like manner, directors of class B must be residents of the district and must be engaged in commerce, agriculture, or some other industrial pursuit. Accordingly, if any attorney, physician, or other professional man is placed in nomination, it must appear that such nominee is also engaged in one of the pursuits specified by the statute. Class B directors can not be stockholders, officers, or directors in any bank.

Lists will be mailed to each member bank in each district for use in presenting to the organization committee (which, until the selection of the chairman of the board of each Federal reserve bank by the Federal Reserve Board, shall act in the place of the said chairman) the name of the district reserve elector and the nominees of class A and class B directors.

When these forms shall have been received by the organization committee a list will be prepared of all district reserve electors and mailed to each elector in each district in compliance with the statute.

A form of ballot has also been prepared which will show the candidate for class A and the candidate for class B directors of each group, and this ballot will be sent in due course to each district reserve elector, in order that his vote may be cast in accordance with the provisions of the statute.

Each district reserve elector will indicate on this ballot his first, second, and third choices for one director of class A, and his first, second, and third choices for one director of class B.

The ballot furnished will show all nominees of the group and the name of the bank nominating each candidate.

Each group will elect one class A and one class B director. The electors will therefore vote only on the nominees of their own group, and not on all the nominees of their district.

When these ballots have been received by the organization committee, a poll will be made and the result of the election announced as early as practicable.

When this announcement has been made and the Federal Reserve Board has named the three class C directors in each district, the board of directors of each Federal reserve bank will be immediately convened and organized, and this board will then adopt such by-laws and elect such officers as may be deemed necessary.

The board of directors of each Federal reserve bank will also arrange for proper banking quarters and for the employment of the necessary clerical force in order to place the banks in operation as early as possible.

The organization of the Federal reserve banks in those districts whose member banks act promptly will not be held back and delayed to keep pace with the organization of banks in other districts whose member banks are slow in taking action and in making their returns to the organization committee.

It will be observed from the foregoing that the cooperation and prompt action of the member banks is important in order to have the Federal reserve banks ready for business at the earliest date practicable.

Respectfully,

M. C. ELLIOTT,

Secretary Reserve Bank Organization Committee.

EXHIBIT A.—*Tentative analysis showing probable groups or divisions of member banks by districts.*

District No.	Federal Reserve city.	Group No. 1.		Group No. 2.		Group No. 3.	
		Number of banks.	Aggregate capital and surplus of each member bank.	Number of banks.	Aggregate capital and surplus of each member bank.	Number of banks.	Aggregate capital and surplus of each member bank.
1	Boston.....	148	\$250,000 or more.	148	Less than \$250,000 but more than \$120,000.	148	\$120,000 or less.
2	New York.....	160	\$190,000 or more.	160	Less than \$190,000 but more than \$70,000.	160	\$70,000 or less.
3	Philadelphia.....	253	\$190,000 or more.	252	Less than \$190,000 but more than \$75,000.	252	\$75,000 or less.
4	Cleveland.....	257	\$150,000 or more.	255	Less than \$150,000 but more than \$60,000.	255	\$60,000 or less.
5	Richmond.....	160	\$140,000 or more.	158	Less than \$140,000 but more than \$60,000.	158	\$60,000 or less.
6	Atlanta.....	126	\$130,000 or more.	124	Less than \$130,000 but more than \$60,000.	124	\$60,000 or less.
7	Chicago.....	319	\$120,000 or more.	319	Less than \$120,000 but more than \$55,000.	319	\$55,000 or less.
8	St. Louis.....	151	\$100,000 or more.	151	Less than \$100,000 but more than \$60,000.	151	\$60,000 or less.
9	Minneapolis.....	230	\$60,000 or more.	230	Less than \$60,000 but more than \$30,000.	230	\$30,000 or less.
10	Kansas City.....	279	\$75,000 or more.	277	Less than \$75,000 but more than \$40,000.	277	\$40,000 or less.
11	Dallas.....	245	\$100,000 or more.	244	Less than \$100,000 but more than \$50,000.	244	\$50,000 or less.
12	San Francisco....	172	\$120,000 or more.	170	Less than \$120,000 but more than \$55,000.	170	\$55,000 or less.

RESERVE BANK ORGANIZATION COMMITTEE,
Washington, D. C.

SIR: In the circular dated May 6, 1914, in particular reference to the election of class A and class B directors of Federal reserve banks the following sentence appears at the bottom of page 2:

"Class B directors can not be *stockholders*, officers, or directors in any bank."

This sentence should read as follows:

"No director of class B shall be an officer, director, or *employee* of any bank."

Respectfully,

M. C. ELLIOTT, *Secretary*.

Circular No. 3.]

FEDERAL RESERVE BOARD,
Washington, August 25, 1914.

SIR: You are requested to furnish the following information on the accompanying form for the use of the reserve bank organization committee and the Federal Reserve Board in connection with the organization of the Federal reserve banks.

This information is not intended for publication, but for the use of the board.

Please supply carefully the information called for on pages 2, 3, and 4 and return this blank promptly in the inclosed addressed envelope, which requires no postage. Your immediate attention to this request will facilitate the determination of the questions involved and will, it is hoped, enable the board to develop plans to accomplish the results desired with the least inconvenience.

Respectfully,

M. C. ELLIOTT,
Secretary Reserve Bank Organization Committee,
Secretary pro tempore Federal Reserve Board.

NONRESERVE CITY BANKS.

Statement of condition of ——— National Bank of ——— at the close of business on the 31st day of August, 1914.
(City and State.)

LIABILITIES.

Capital stock, surplus, and undivided profits.....	\$
Time deposits (including all deposits not payable for 30 days or more, and all deposits which are subject to 30 days' notice—that is, upon which the bank may require 30 days' notice before withdrawal).....	
Demand deposits.....	
Bills payable.....	
Circulation outstanding:	
Secured by United States bonds.....	
Secured otherwise than by United States bonds.....	
Bank balances.....	
All other liabilities.....	
Total.....	

RESOURCES.

Loans, discounts, and overdrafts.....
Bonds and other securities.....
Banking house, real estate, furniture, and fixtures.....
United States bonds to secure circulation.....
United States bonds to secure deposits.....
Balances with approved reserve agents and counted as reserve (give name of city and amount carried in each city):
Five per cent redemption fund.....
Cash items.....
Cash:
Gold or gold certificates.....
National bank notes.....
United States legal tender notes.....

Cash—Continued.

Silver and silver certificates.....
 Minor coin.....
 All other assets.....

Total.....

Statement of condition of ——— National Bank of ——— as it will appear
 (City and State.)

If first installment of 1 per cent of capital and surplus had been paid on subscription to the stock of the Federal reserve bank of its district on same date as is shown in statement of condition on opposite page; and if new reserve requirements had at that time gone into effect, and transfer of proportionate amount of reserve had been made to the Federal reserve bank of its district.

NOTE.—While capital stock payments and reserve transfers need not be made simultaneously, for the purposes of this statement it will be assumed they will be so made.

LIABILITIES.

Capital stock, surplus, and undivided profits..... \$
 Time deposits.....
 Demand deposits.....
 Bills payable.....
 Circulation outstanding:
 Secured by United States bonds.....
 Secured otherwise than by United States bonds.....
 Bank balances.....
 All other liabilities.....
 Total.....

RESOURCES.

Loans, discounts, and overdrafts.....
 Bonds and other securities.....
 Banking house, real estate, furniture, and fixtures.....
 United States bonds to secure circulation.....
 United States bonds to secure deposits.....
 Reserve balances:
 With Federal reserve bank (not less than one-sixth of total reserve required).....
 With approved reserve agents (give names of cities).....
 Five per cent redemption fund.....
 Cash items.....
 Cash:
 Gold or gold certificates.....
 National bank notes.....
 United States legal tender notes.....
 Silver and silver certificates.....
 Minor coin.....
 Federal reserve bank stock (amount of first installment—that is, 1 per cent of your capital and surplus).....
 All other assets.....
 Total.....

STOCK SUBSCRIPTIONS.

Please state from what city or cities you would probably withdraw balances in order to pay the first installment of your subscription to the capital stock of the Federal reserve bank of your district, giving amount, if any, that you would probably withdraw from each city.....
 Please state what amount of the first installment of your subscription to capital stock you would probably pay in gold or gold certificates out of funds in your own vaults.....

RESERVE BALANCES.

Please state what amount, if any, you would probably withdraw from approved reserve agents in order to make transfer of required reserve to the Federal reserve bank of your district if call were made and new reserve requirements became effective at any time within 30 days from date _____

Please give names of cities from which such withdrawals would probably be made, showing amount you would probably withdraw from each city _____

Please state what amount you would probably transmit from your own vaults in cash to the Federal reserve bank to meet new reserve requirements _____

Please state what amount, if any, you would probably desire to rediscount with the Federal reserve bank of your district in order to pay part of your reserve in eligible paper _____

NOTE.—In answering the foregoing questions it may be assumed that payment of subscription and transfer of reserve are made simultaneously.

I, _____, of the above-named bank, do solemnly swear (or affirm) (Cashier or president.) that the foregoing statement is true, and fully and correctly represents the true state of the several matters therein contained, to the best of my knowledge, information, and belief.

_____, {Cashier.
President.

(Name of bank.)

(City and State.)

STATE OF _____, County of _____:

Sworn to and subscribed before me this _____ day of _____, 1914; and I hereby certify that I am not an officer or a director of this bank.

[SEAL.]

_____, Notary Public.

REPORTS OF THE GOLD FUND PRELIMINARY COMMITTEE.

Circular No. 4.]

WASHINGTON, D. C., September 4, 1914.

To the honorable the Secretary of the Treasury and the Federal Reserve Board.

SIR: The committee appointed by the conference of bankers appreciates the desirability of relieving the present international-exchange situation and particularly of regulating the outflow of gold. The committee at the same time realizes the necessity of promptly meeting the obligations of banks, corporations, and individuals to Europe, thereby maintaining the high credit of this country and demonstrating its ability to meet its obligations.

For this purpose and with this object in view, this committee recommends to the Federal Reserve Board the following plan:

That the banks of this country, especially those located in reserve and central reserve cities, be requested to contribute to a gold fund of \$150,000,000, of which \$25,000,000 to be immediately paid into the depository of the Bank of England in Canada, for which a participation deposit receipt will be furnished to each contributing bank. The remainder of the contributed amounts to be subject to call by the New York committee through the local committees of the respective cities and to be paid for in New York exchange.

Said New York committee to be appointed by the New York Clearing House Association and said local committees to be appointed by the clearing-house associations of the respective contributing cities. The committee appointed by the New York Clearing House Association to be charged with the duty of handling the said fund, of fixing the price at which foreign exchange is to be bought and sold, and is to make requisition from time to time upon the respective contributing cities through the local committees thereof. Said local committees shall have supervision in the respective cities of the shipments and general withdrawals of gold.

This committee recommends that the Federal Reserve Board take steps to ascertain the amount of gold that will be contributed by the banks in the respective cities and that it use its influence to have the said banks contribute their proper pro rata.

Respectfully,

JAMES B. FORGAN.
S. WEXLER.
BENJ. STRONG, JR.
THOMAS P. BEAL.
L. L. RUE.

WASHINGTON, September 19, 1914.

To the honorable the Secretary of the Treasury and the Federal Reserve Board.

GENTLEMEN: Referring to the recommendations contained in our communication of September 4:

We have, in compliance with your suggestion, given further consideration to the present international exchange situation, taking into account the changed conditions arising from the completion of plans for meeting the obligations of the city of New York payable in Europe.

This committee is of the opinion that the continuance of the high credit of this country abroad will be demonstrated, and that normal conditions of the foreign exchange market will best be reestablished by the prompt creation of a large gold fund for export if necessary, as suggested in our former report. We therefore recommend that the central reserve and reserve city banks of the United States (both national and State institutions) be requested to contribute to a gold fund of \$100,000,000 instead of \$150,000,000, as originally proposed. Of this amount, \$25,000,000 should be made immediately available. The administration of the fund should be conducted by a resident committee in the city of New York, where the principal foreign exchange transactions of the country take place, and we suggest that the recommendation of the Clearing House Association of the City of New York for the appointment of the following gentlemen as such committee be approved, namely: Albert H. Wiggin, chairman; William Woodward, J. S. Alexander, Francis L. Hine, Benjamin Strong, jr., F. A. Vanderlip.

We propose to arrange the details of the plan of administration with the New York committee so that the requirements of all parts of the United States for foreign exchange will be fairly and impartially dealt with; and we suggest, in the event of any complaint on the part of any contributor to the fund in connection with the distribution or use thereof, your board shall appoint a committee of bankers to pass upon any such question, whose decision, under such rules and regulations as you may prescribe, shall be final.

We further recommend that the national and State banking institutions in the central reserve and reserve cities of the United States be requested by you to contribute to this fund, due regard being given to their present holdings of gold as recently ascertained by your direction.

As recommended in our report of September 4, we believe that a committee representing the clearing-house association of each central reserve and reserve city should apportion in its district the amounts and supervise the payments of gold or gold certificates for the creation of this fund, and we therefore suggest that you address a letter to the chairman of the clearing-house committee in each of those cities recommending the appointment of such a committee, urging prompt cooperation in this plan and stating the amount of gold which you may consider to be the proper quota to be furnished by that city.

In order to facilitate the transfer of gold or gold certificates to New York by the contributing banks, it is recommended that they be permitted to deposit their contributions with the nearest subtreasury of the United States, and that all expenses incident to transfers, whether made through subtreasuries or otherwise, shall be an expense of the fund and shall not be borne by the respective contributors.

The committee representing the New York Clearing House Association should have authority to call upon the contributors for gold or gold certificates from time in installments as required (provided, that the contributors shall not be called upon to pay any portion of an installment which may make their investment in the fund at any one time exceed 25 per cent of their original contribution), to arrange for shipments of gold to other countries, to sell exchange and cable transfers against such shipments at such prices as they may fix, to de-

termine to whom and under what conditions foreign exchange may be sold, to distribute the proceeds of such sales among the contributing banks in New York funds, and to fix a date for the termination and final settlement of the fund. We, therefore, recommend that the gold or gold certificates be deposited in trust for the contributors in the vaults of the Clearing House Association of the City of New York, subject to the control of the New York committee, and that such committee issue to each contributing bank a certificate evidencing its contribution. The proceeds of sales of exchange may then be distributed by the committee among the contributing banks in New York funds and the amount of such repayment indorsed upon each certificate.

We have recommended that contributors to the fund be confined to the banks and trust companies in the central reserve and reserve cities, so that banks which are members of the Federal reserve system may make their payments at the time of the organization of the Federal reserve banks out of their own cash.

We attach forms for pledges to be signed by contributing institutions and certified resolutions to be passed by their boards of directors or trustees. In case the plan should meet with your approval, we respectfully suggest that you inclose copies of these forms in your letter to be addressed to the presidents of the clearing-house associations.

Respectfully submitted.

(Signed)

JAS. B. FORGAN, *Chicago*,
LEVI L. RUE, *Philadelphia*,
BENJAMIN STRONG, Jr., *New York*,
THOMAS P. BEAL, *Boston*,
SOL WEXLER, *New Orleans*,
Committee.

— — — — —, September —, 1914.

The undersigned banks and trust companies hereby subscribe to a fund of \$100,000,000, to be payable in gold or gold certificates, and to be held and administered in accordance with the terms of a report dated September 19, 1914, made by a committee representing central reserve and reserve city banks of the United States, a copy of which report is attached hereto. The amount pledged for contribution by each of the undersigned institutions is set opposite the signature of a duly authorized officer thereof affixed hereto, and such pledge is made by authority of a resolution of the board of directors or board of trustees (or a duly authorized committee thereof) of each of the undersigned.

Name of bank or trust company.	Amount of pledge.
.....	
.....	
.....	
.....	
.....	
.....	
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Circular No. 5.]

LETTER TO PRESIDENTS OF CLEARING HOUSE ASSOCIATIONS RELATIVE TO GOLD FUND.

The President Clearing House Association, _____:

At the invitation of the Secretary of the Treasury and the Federal Reserve Board a conference of delegates from clearing house associations was held at the Treasury Department in Washington on September 4 for the purpose of considering problems growing out of the extraordinary derangement of our

foreign exchange markets following the outbreak of the European war. This conference, after a day's deliberation, appointed a bankers' committee, charged with the duty of recommending to the board a plan for dealing with this situation. The committee so named submitted on September 4 its first report, which advised the creation of a gold fund of \$150,000,000. This recommendation, owing to changes in the situation, was modified in a subsequent report, dated September 19, favoring the creation of a gold fund of \$100,000,000, to be contributed by the banks and trust companies located in central reserve and reserve cities.

The board has carefully considered the committee's report, and concurs in its conclusions and recommendations. The board is convinced of the necessity of any adequate plan of national cooperation to meet a situation which is of national dimensions, and it has no hesitation, therefore, in giving its approval to the plan proposed by the committee, and recommends your earnest cooperation.

The board shares the committee's belief that the creation of a large gold fund at this juncture will have a far-reaching effect for good and will prove an effective factor in restoring confidence, in bringing relief, in protecting and strengthening the country's credit, and in facilitating the exportation of our products.

The board therefore recommends that your association appoint a committee to secure from the national banks and State banking institutions of your city subscriptions aggregating \$—— to the proposed gold fund. The board regards this amount as the fair quota to be raised in your city, based upon the holdings of gold and gold certificates by the central reserve and reserve cities as recently ascertained. The allotments provide a fair margin above the total amount named. Any sums pledged in excess of \$100,000,000 will be applied to a pro rata reduction of all subscriptions to the fund.

Forms of subscriptions and certified resolutions to be executed by participating institutions have been prepared by the bankers' committee and are forwarded herewith. This board recommends that the sums specified be pledged as promptly as possible and that you send the pledges and resolutions, duly executed, to the secretary of the Federal Reserve Board at Washington, D. C., in order that they may be available for the committee not later than October 1.

For the terms and conditions upon which the subscriptions to the proposed gold fund are made your attention is particularly called to the report and plan signed by the bankers' committee and handed to you herewith.

Respectfully,

C. S. HAMLIN,
Governor Federal Reserve Board.

I am in accord with the views of the Federal Reserve Board and recommend the adoption by the banks of the proposed plan.

W. G. MCADOO,
Secretary of the Treasury.

WASHINGTON, D. C., September 21, 1914.
(1 inclosure.)

——— BANK,
———, September —, 1914.

On motion it was resolved that the president, vice president, cashier, or treasurer, or any one of them, be, and he hereby is, authorized, in behalf of this bank (company) to subscribe —— dollars, payable in gold or gold certificates, to a gold fund to be created and administered in accordance with the terms set forth in the report of the committee, dated September 19, 1914, appointed by the delegates to the conference of clearing-house associations of the central reserve and reserve cities held in Washington on September 4, which committee recommended that a gold fund of \$100,000,000 be contributed by the banks (both National and State institutions) located in such cities, said report having been approved by the Federal Reserve Board, as set forth in their letter of September 21, 1914.

I hereby certify that the above is a true extract of the minutes of a meeting of the board of directors or trustees or of a duly authorized committee thereof of the ——, held ——, September —, 1914.

[SEAL]

———,
Secretary of the Board.

Circular No. 6.]

FEDERAL RESERVE BOARD,
Washington, D. C., October 5, 1914.

In order to promote a desirable uniformity in the organization of the Federal reserve banks, the Federal Reserve Board presents for consideration by the boards of directors a draft of tentative by-laws and a chart giving the outline of a tentative organization for the banks. Neither the by-laws nor the chart have been finally approved by the Federal Reserve Board. They represent the work of certain experts who were appointed by the organization committee to examine into the details of organization. They are, therefore, offered simply as a basis for further suggestions to be made by the boards of directors of the Federal reserve banks.

When full consideration has been given to them, and such suggestions or modifications as may be recommended have been transmitted to the Federal Reserve Board, the board will appoint a subcommittee to formulate standard by-laws to be recommended to the several boards of directors, subject to their approval. In like manner the board will, after full consideration of all suggestions that may come to it from the several boards, present a standard form of organization to be followed, so far as practicable, by each bank.

The organization chart, already mentioned, is inclosed.

The tentative draft of by-laws referred to above, follows:

BY-LAWS OF THE FEDERAL RESERVE BANK OF ———.

PREAMBLE.

As provided in its certificate of organization, dated ———, the name of this bank shall be the Federal Reserve Bank of ———, and it shall do business in the city of ———, State of ———, and serve the territory known as Federal reserve district ———. It was duly authorized to commence business by the Comptroller of the Currency, under date of ———.

ARTICLE I.—*Directors.*

SECTION 1. *Number and quorum.*—The number of directors shall be nine. A majority of the directors shall constitute a quorum.

SEC. 2. *Classes.*—The board of directors, as provided by law, shall be divided into three classes—A, B, and C. At its initial meeting each class shall designate one member of its class whose term of office shall expire one year after the first day of January nearest the date of such initial meeting; in like manner, one whose term shall expire in two years, and one in three years. Thereafter, the term of office of each director shall be three years.

SEC. 3. *Vacancies.*—Vacancies shall be filled and successors elected in the manner provided by law.

SEC. 4. *Meetings.*—There shall be a stated meeting of the board every ———, at ——— o'clock a. m., or, if that day be a holiday, on the first preceding day not a holiday.

The chairman of the board shall be empowered to call a special meeting at any time, or upon the written request of any three directors, or whenever requested so to do by the president.

SEC. 5. *Powers.*—The board of directors shall, subject to the approval of the Federal Reserve Board, fix the compensation and define the duties (other than those herein provided for) of officers, clerks, and employees of the bank. It shall duly provide for the expenses of the Department of Federal Reserve Agent and for the pro rata amount of expenses of the Federal Reserve Board and the Federal Advisory Council.

SEC. 6. *Order of business.*—The following shall be the order of business at each regular meeting of the board:

1. Reading or inspection of minutes of the last regular meeting.
2. Report of the governor, including information concerning banking and business conditions in the district.
3. Report of the secretary-treasurer, or cashier, including detailed summary of all business transacted since last regular meeting and statement of present condition, the latter to include—
 - (a) All official correspondence received from Federal Reserve Board.
 - (b) Statement of all loans, rediscounts, investments, and purchases.
 - (c) Weekly statement of condition of Federal Reserve Board.

- (d) Summary of condition of member banks.
- (e) Minutes of meetings of boards of directors of branches, if any.
- 4. Committee reports.
- 5. Unfinished business.
- 6. Discount policy and formulation of report to Federal Reserve Board on reasons for same.
- 7. New business.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal reserve agent, and one director of class A or B. Such director shall be elected by the board to serve for a period not to exceed ¹ months, and his successors shall be chosen in rotation until each member of classes A and B shall have served or shall have been given an opportunity to serve. The board shall elect each month an alternate for service on the executive committee, who shall be authorized to act in the absence or disability of the member first chosen.

SEC. 2. *Meetings.*—The executive committee shall hold meetings upon call of the chairman and shall cause to be kept minutes of all such meetings held by it, which shall be read and approved by members of the board at the next succeeding meeting of the board.

SEC. 3. *Powers.*—Subject to the regulations of the board of directors and of the Federal Reserve Board, the executive committee shall have the following powers:

- 1. To pass upon all commercial paper submitted for discount.
- 2. To initiate open market transactions.
- 3. To recommend to the board of directors, from time to time, changes in the discount rates.
- 4. To buy and sell securities.
- 5. To apply for and provide for the security of such Federal reserve notes as may be necessary for the general requirements of the bank.
- 6. To employ clerks and other subordinates, to define their duties, and to fix their compensation.

ARTICLE III.—*Officers.*

SECTION 1. The officers to be chosen by the board of directors shall be a governor, a first and a second vice governor,² a secretary-treasurer,³ and such other officers as the board may from time to time determine. They shall hold office during the pleasure of the board.

SEC. 2. *Chairman.*—The chairman of the board shall preside at all meetings thereof. He shall, together with the officers of the bank, have supervision of all credit records and data concerning member banks and borrowers which may be compiled from reports and examinations of such banks. All reports and statements made to the Federal Reserve Board shall be submitted to the chairman and shall be countersigned by him as Federal reserve agent. All examinations of member banks made on behalf of the Federal Reserve Board shall be conducted under his general direction as such agent.

SEC. 3. *Deputy Federal reserve agent.*—In the absence or disability of the chairman, as such, or as Federal reserve agent, his powers shall be exercised and his duties performed by the deputy Federal reserve agent. Subject to the rules and regulations of the Federal Reserve Board and the direction of the Federal reserve agent, such deputy shall represent the bank in examinations of member banks and shall perform such other duties as may be assigned to him. In case of the absence or disability of both the Federal reserve agent and his deputy, the third member of class C of the board of directors shall act as chairman and Federal reserve agent pro tem.

SEC. 4. *The governor.*—The governor shall have general charge of the bank and shall preside at all meetings of the executive committee, subject, however, to such rules and regulations as may be incorporated herein or from time to time promulgated by the board of directors. He shall have power to make any and all transfers of securities of the bank which may be authorized to be sold

¹ The board may fix an appropriate term.

² The number of vice governors will depend upon the size of the bank and the character of its work.

³ The title of cashier may be preferred.

by the executive committee and shall, jointly with the secretary-treasurer, sign all certificates of stock of the bank.

In all cases where the duties of subordinate officers and agents of the bank are not specifically prescribed by the by-laws or the board of directors, they shall be the duties specified by and instructions of the governor. The governor may, with or without the advice of the executive committee, suspend or remove any employee of the bank, subject, however, to a hearing before said committee.

The secretary-treasurer shall have custody of the seal of the bank, with power to affix the same to certificates of stock and other instruments, as may from time to time be required.

SEC. 5. *The vice governors.*—In case of the absence or disability of the governor, his powers shall be exercised and his duties discharged by the first vice governor, and, in the absence or disability of the latter, by the second vice governor. In the event of the absence or disability of all three the board of directors shall, by a majority vote of its members, appoint a director governor pro tem.

ARTICLE IV.—*Counsel.*

SEC. 6. *The secretary-treasurer.*¹—The secretary-treasurer shall carry out the instructions of the board of directors regarding the custody of all moneys received and paid out on account of the bank. He shall, jointly with the governor, have custody of all investments of the bank. He shall keep the minutes of all board meetings and of all committees of the board.

SECTION 1. The board of directors shall, upon such terms as it may prescribe, appoint a counsel who shall represent the bank in such matters as may be assigned to him, and shall approve all legal instruments.

ARTICLE V.—*Auditor.*

SECTION 1. The board shall appoint an auditor, who shall be subject to its direction and to that of the Federal reserve agent, and shall make a weekly report direct to the board of directors of the Federal reserve bank, giving a full statement of conditions based upon his audit. The auditor shall have charge of the internal auditing of the bank, the reconciliation of accounts, the periodical examination of branches, and, in general, the audit of all transactions, expenses, receipts, and disbursements.

ARTICLE VI.—*Bonds.*

Subject to the rules and regulations of the Federal Reserve Board, the board of directors shall provide all bonds necessary to cover officers and clerks of the bank.

ARTICLE VII.—*Branches.*

All branches established by the board shall conduct business in the manner prescribed for the main office and pursuant to such by-laws, rules, regulations, and directions as may from time to time be promulgated by the directors and officers of the bank but subject to the approval of the Federal Reserve Board.

ARTICLE VIII.—*Information.*

SECTION 1. All persons employed by the bank shall keep inviolate its business affairs and concerns and shall not disclose or divulge the same to any unauthorized person whomsoever. Any employee who shall give information contrary to this by-law shall be liable to immediate dismissal.

SEC. 2. The action or policy of the board and of the executive committee shall not be expressed by any individual member, except by its duly authorized officers after formal action by the whole board.

SEC. 3. For the information of member banks and the public there shall be maintained in the office of the secretary-treasurer a bulletin board, upon which shall appear the current rates of discount established by the directors and such other information as they may deem it desirable to make public.

¹ The title of cashier may be preferred.

ARTICLE IX.—*Certificates of stock.*

All certificates of stock shall be signed by the president and secretary, treasurer and bear the corporate seal.

ARTICLE X.—*Transfers.*

No transfer shall be permitted, except upon the surrender of the outstanding certificate of stock or scrip, and no new certificate shall be issued until the former certificate is canceled; but the board of directors may authorize the issue of a duplicate in place of a lost certificate, taking a satisfactory bond of indemnity. It shall be the duty of the Federal reserve agent to register the stock or scrip of the bank.

ARTICLE XI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board; provided, however, that a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.¹

Circular No. 6a.]

DRAFT OF BY-LAWS RECOMMENDED BY THE COMMITTEE ON LEGAL MATTERS AND PROCEDURE APPOINTED AT THE CONFERENCE OF DIRECTORS OF FEDERAL RESERVE BANKS WITH THE FEDERAL RESERVE BOARD ON OCTOBER 20, 1914.

BY-LAWS OF THE FEDERAL RESERVE BANK OF ———.

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every ——— at ——— o'clock — m., or if that day be a holiday on the first preceding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least ——— days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least ——— days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix the compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal reserve agent, and one or more directors chosen

¹ After the by-laws have been adopted and in order to retain uniformity it is suggested that so far as possible there shall be no permanent changes in by-laws except on approval of a general committee on by-laws representing all the Federal reserve banks.

from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. Powers.—Subject to the supervision and control of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. Federal reserve agent.—The Federal reserve agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal reserve agent.

SEC. 3. Deputy Federal reserve agent.—In the absence or disability of the Federal reserve agent his powers shall be exercised and his duties performed by the deputy Federal reserve agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. The governor.—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. The deputy governor. In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. The secretary.—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and

by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. The cashier.—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. Signature.—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. Business hours.—The bank shall open for business from — o'clock to — o'clock on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.

Circular No. 7.]

FEDERAL RESERVE BOARD,
Washington, D. C., October 14, 1914.

In order to promote a desirable uniformity in the organization of the Federal reserve banks, the Federal Reserve Board presents for consideration by the boards of directors drafts of a system of accounting for the banks. These have not been finally approved by the Federal Reserve Board. They represent the work of certain experts who were appointed by the organization committee to examine into the details of organization. They are, therefore, offered as a basis for discussion.

When full consideration has been given to them and such suggestions or modifications as may be recommended have been transmitted to the Federal Reserve Board, the board will appoint a subcommittee to recommend a standard accounting plan to the several boards of directors, subject to their approval.

SYSTEM I.

The system of accounting to be chosen, and the extent to which the machines are used in it, will depend upon the scope and activity which the reserve banks are to have from the beginning, and, in the event that they are assigned large clearing functions, it will necessarily be a matter of extreme importance in assuring the smooth working of the system, the accurate and prompt collection of items, and the development of reports and statistics comparable in character and truly reflecting the internal conditions of each of the several institutions. The accounting system as subsequently outlined may be made a fundamental factor in providing the means for a careful estimate of credit conditions throughout the country, as it provides for a daily transmission, if desired, of detailed reports to the Federal Reserve Board at Washington, in order that that board may be constantly in touch with the operations of each bank and the comparative condition of all the banks. In this way the board will be enabled to act with full knowledge as to rates of discount and to advise the several banks concerning the lines of paper that are outstanding throughout the country.

In designing the plan, these points have been observed :

(a) Particular care has been taken to introduce the most modern systems, using machinery wherever possible, thereby securing the advantages of mechanical accuracy as compared with the method of maintaining records by hand.

(b) The majority of the forms have been constructed to carry their respective items from the time of receipt to final disposition. There is also a system of control throughout, with the result that their use will materially reduce labor and increase efficiency.

(c) The entire accounting system has purposely been made elastic, so that it will fulfill the needs of the largest as well as the smallest Federal reserve bank, and as the banks grow it will not be necessary to revise the accounting plan.

(d) There has been constant recognition of the desirability of keeping the Federal Reserve Board in daily contact with the Federal reserve banks.

(e) The system is adapted for use with any of the standard typewriting and adding machines now on the market.

MAIL TELLER.

As there will in all probability be a large accumulation of mail from member banks, consisting of remittances for credit, collections, etc., between the hours of 2.30 p. m. and 8.30 a. m., this department has been designed as the first operating unit, looking to the avoidance of congestion in the morning.

The work of the mail teller will begin, say, at midnight, and will consist in handling incoming mail up to 5 a. m., the result being :

1. Preparation for morning clearance of such items as will be payable through the clearing house (Federal reserve or otherwise).

2. Delivery to the transit department in one total of such items as may have been received payable out of town.

3. Delivery to the distributing desk in one total of such credits and debits as relate to the accounts appearing upon the books of the Federal reserve bank.

4. Delivery to the note teller in one total of such miscellaneous items not covered in the three subdivisions outlined.

The block system will be used in this, as in all other departments, the sectional proofs of the work being accomplished by means of blocks, with the result that the ultimate proof of the department will consist only of interlocking balances.

Form MT 1.—This will be the block sheet of the department, to be used as previously outlined.

Forms MT 2, 3, and 4.—These varicolored slips to be used in correctly routing the different batches of debits and credits after they are proved upon each block.

Forms Noa. 3 and 4 will cover the majority of the work leaving the department, and consequently are imprinted "Transit department" and "Note teller," while Form MT 2 is to be used for such miscellaneous items as may necessarily be forwarded to other departments.

Form MT 5.—This is a proof sheet for the department, the figures for which will be obtained from a recapitulation of the block sheets.

Form MT 6.—This is a suggested envelope which will inclose items intended for presentation to the different members of the clearing house.

CLEARING-HOUSE DEPARTMENT.

This department will be the successor of the mail teller, its work consisting in handling incoming mail received subsequent to 5 a. m., the plan of operation of the two departments being identical, except that the supervision and proof of incoming exchanges from the clearing house will also be handled by this department.

The forms will consist of the following :

Form CH 1.—This will be the block sheet for the department.

Forms CH 2, 3, 4, and 5.—These varicolored slips will be used in correctly routing the batches of items from each block sheet after its proof.

Form CH 6.—This is the proof sheet of the department, the figures for which will be obtained by a recapitulation of all the blocks.

Form CH 7.—This is a block sheet to be used in effecting the proof of incoming exchanges from the clearing house.

Form CH 8.—This is a proof sheet for the assembling of an individual proof of the morning exchanges received from the clearing house, the figures being subsequently passed through the proof of the distributing desk.

Form CH 9.—This is a suggested envelope which will inclose items intended for presentation to the different members of the clearing house.

DISTRIBUTING DESK.

For the concentration of figures, avoidance of errors, facilitation of work in the tellers' cages, and simplicity of posting for the general ledger, this department has been instituted in order that the different tellers after the proof of each block may route to it such items as may have been received, both debits and credits, affecting accounts appearing upon the books of the Federal reserve bank.

The advantages of the distributing desk are many, and it will be found of particular value as to apparent overdrafts, by the quick concentration in the bookkeepers' hands of such debits and credits as may affect the accounts, but which, under ordinary circumstances, would not reach the bookkeeper until the close of the day's business.

The forms of the department are as follows:

Form DD 1.—This is a block sheet to be used in establishing sectional proofs of debits.

Form DD 2.—This is a block sheet to be used in establishing sectional proofs of credits.

Form DD 3.—This is a proof sheet for the department, the figures of which will be obtained from a recapitulation of the block sheets.

PAYING TELLER.

The principal duties of the paying teller will be to make such cash disbursements over the counter as may be necessary, effect the settlement of the clearing-house balances, examine checks for correct signatures, arrange for the shipment of money to member banks, provide for the forwarding of mutilated currency for redemption to the Treasurer of the United States at Washington, and likewise provide for the redemption of Federal reserve notes with the Federal reserve agent.

The paying teller will be responsible only for such cash as may be allotted to him, the principal cash reserves of the bank being under the joint control of other officers or directors.

The forms of the department are:

Form PT 1.—This will be used in arranging shipments of money to member banks. Its explanation is as follows:

Slip No. 1: Notification to the member bank that its account has been charged and that the shipment has gone forward.

Slip No. 2: Carbon copy of original advice, which will be inclosed with the shipment of money.

Slip No. 3: Acknowledgment from member bank of receipt of the shipment.

Slip No. 4: Tracing slip, to be retained as a follow-up, looking to the receipt of the acknowledgment.

Slip No. 5: Debit to member bank's account.

Form PT 2.—This will be used in forwarding mutilated currency to the Treasurer of the United States at Washington. Its explanation is as follows:

Slip No. 1: Advice to the Treasurer of the United States descriptive of the forwarding of the currency.

Slip No. 2: Carbon copy of original advice, to accompany the shipment.

Slip No. 3: Debit to "Redemption account."

Slip No. 4: Credit to "Redemption account."

All of the above slips will be made use of upon the day the money is shipped, with the exception of slip No. 4, which will be retained awaiting the return of the equivalent currency from Washington. The outstanding slips will, of course, prove to the controlling account upon the general ledger.

Form PT 3.—To be used in forwarding mutilated Federal reserve notes to the Federal reserve agent, its explanation being:

Slip No. 1: Application to the Federal reserve agent for the issuance of new currency.

Slip No. 2: Acknowledgment from the Federal reserve bank to the Federal reserve agent of receipt of the new currency.

Slip No. 3: Debit to "Federal reserve notes."

Slip No. 4: Credit to "Federal reserve notes."

Slips Nos. 1, 2, and 3 will be attached and delivered to the Federal reserve agent with the mutilated currency, slip No. 3 being provided upon its reverse side with a form of acknowledgment from the Federal reserve agent of the receipt of the mutilated currency. When the new currency is delivered to the Federal reserve bank it will be accompanied by an acknowledgment of its receipt by the Federal reserve bank. Upon delivery of the new currency to the bank slip No. 4 will be used as a credit to "Federal reserve notes."

Form PT 4.—This will be used by the Federal reserve bank in forwarding Federal reserve notes for cancellation to the Federal reserve agent, its explanation being:

Slip No. 1: Instructions to the Federal reserve agent, as to the cancellation of the described Federal reserve notes.

Slip No. 2: Debit to "Federal reserve notes."

As the notes are delivered to the Federal reserve agent they will be accompanied by slips Nos. 1 and 2, slip No. 1 being a record of the transaction for the Federal reserve agent, while slip No. 2 is for use in reducing the outstanding Federal reserve notes, provision having been made upon its reverse side for a form of acknowledgment of the receipts of the notes by the Federal reserve agent.

Form PT 5.—This is a form to be used in effecting the "Stop payment" of checks.

Form PT 6.—This will be used when the notification for stopping payment has not been received upon the form provided for the purpose.

Form PT 7.—This is for use in acknowledging receipt of the regular form of "Stop payment" notice.

Form PT 8.—A loose-leaf record upon which will be inscribed under the name of the member bank a complete description of the checks upon which it is desired to stop payment.

Forms PT 9, 10, 11, 12, and 13.—Varicolored slips to be used in routing the different batches of items to the several departments.

Form PT 14.—Proof sheet for the department, upon which will be assembled the total figures of the day. Upon the reverse side of the sheet provision has been made for the accumulation of the different debits and credits to the several departments.

Form PT 15.—This will be used for the occasional necessity of certifying checks of member banks, its explanation being:

Slip No. 1: Notification to member bank of the fact that its account has been charged, covering the certification of a specific check.

Slip No. 2: Debit to the member bank's account.

Slip No. 3: Credit to certified checks.

Form PT 16.—When the certified checks are returned to the bank for redemption, they will pass through the controlling account upon the general ledger and then be forwarded to the auditing department in order that their control may be in agreement with the general ledger. The auditing department will then affix this form to the checks and deliver them to the bookkeeping department to be inclosed with the daily statement.

This is a proposed sheet which will be prepared by the paying teller each morning and will be delivered to the secretary-treasurer for examination, its purpose being to place the officials of the bank in touch with the condition of the cash of the bank.

RECEIVING TELLER.

This department will receive deposits from member banks located within the city in which the Federal reserve bank is situated, and will also account for shipments of currency received from other Federal reserve banks and member banks.

The forms of the department are as follows:

Form RT 1.—That is for use in handling shipments of currency received for credit of member banks, its explanation being:

Slip No. 1: Advice to the member bank descriptive of the receipt of the currency and the amount placed to their credit.

Slip No. 2: Credit to the member bank's account.

Forms RT 2, 3, 4, 5, and 6.—These are varicolored slips to be used in routing the different classes of items to the several departments.

Form RT 7.—A block sheet for the sectional proof of the day's work.

Form RT 8.—This is a proof sheet, the figures for which will be obtained from a recapitulation of the block sheets.

NOTE TELLER.

The duties of this department will consist of the presentation and collection of notes, drafts, and checks drawn upon nonmembers of the clearing house, all of which are payable within the radius covered by the messengers of the Federal reserve bank.

The runners or messengers will be under the control and form a part of this department.

The forms are as follows:

Form NT 1.—This is a proposed block sheet for the proof of the messengers' routes, upon one side of which are listed the individual items comprising the route and upon the reverse side the checks, currency, etc., which have been received in payment. The initial "N" is indicative of a cash item charged to the note teller and which has been returned by the messenger unpaid. The initial "C" is indicative of collection items (not cash) which have been returned unpaid by the messengers.

The total of the items as appearing upon each side of the block must be in agreement and constitute, as previously outlined, a proof of the messengers' routes.

Form NT 2.—A block sheet for the distribution to the different departments of the checks, currency, etc., which have been received in settlement of items charged to the note teller. A recapitulation of these blocks constitutes a proof of the day's work.

Forms NT 3, 4, 5, 6, and 7.—These are varicolored slips to be used in routing items to the different departments after they are proved upon the block sheets.

Form NT 8.—This is for use in charging back and returning cash items which are unpaid after presentation. Its explanation is as follows:

Slip No. 1. Letter accompanying the item.

Slip No. 2. Debit to the member bank.

Slip No. 3. To be placed in a chronological file awaiting the return of the acknowledgment postal.

Slip No. 4. A postal card to be attached to the item when it is charged back and which will be dated, signed, and returned by the member bank as an acknowledgment of receipt.

Form NT 9.—In the event of the postal card as outlined in NT 8 not being regularly returned, Form NT 9, being a postal tracer, will be used.

Form NT 10.—This is a proof sheet for the department, the figures of which will be obtained from a recapitulation of the block sheets, as outlined in Form NT 2.

TRANSIT DEPARTMENT.

The transit department should be equipped with steel racks, providing suitable compartments for each member bank of its district, together with 11 other compartments, larger in size, for the other Federal reserve banks.

These compartments will be divided into units for the purpose of evenly distributing the volume of business.

The handling and proof of the transit items will be obtained in the following manner:

(a) Items received by the different departments will be charged to the transit department in batches, accompanied by slips designating the teller forwarding them and the amount of each batch.

(b) Accumulated batches will be assorted to the different units listed and proved under the sectional proof of the block system.

(c) A recapitulation of the block sheets will constitute a proof of the interlocking balances with the tellers, and produce the figures to which each unit must prove.

(d) The proof of each unit will be obtained by adding together the totals appearing upon the carbon copies of the remittance letters in process of being forwarded.

The forms of the department are:

Form T 1.—A form to be used by member banks in their relations with Federal reserve banks when forwarding for credit such items as they may receive drawn upon member banks located within the Federal reserve city. The top sheet will accompany the checks, while the carbon will be retained by the member banks to be used as a debit to their reserve account with the Federal reserve banks.

It will be noted that this form, as well as Forms Nos. T 2, 3, 4, 5, 6, 7, 8, and 9, has been equipped with a form of acknowledgment as well as a "follow-up," the acknowledgment to be dated, signed, and returned by the receiving bank, and the "follow-up" to be placed in chronological file under the date upon which the acknowledgment should be received; this will enable the banks to trace intelligently any overdue cash letters.

Attention is called to the fact that the reverse side of sheet No. 1 of forms Nos. T 1, 2, 3, 4, 5, 6, 7, 8, and 9 is to be carbonized; consequently it will not be necessary to place the usual carbon paper between the original and duplicate parts of the form.

Form T 2.—To be used by member banks in forwarding for credit such items as they may receive which are drawn upon—

(a) Member banks located within their own district, but without the local radius, to be determined by the Federal Reserve Board.

(b) Federal reserve banks of other districts.

(c) Member banks of other Federal reserve districts.

Form T 3.—To be used by Federal reserve banks in their relations with member banks located in their own city, but which because of inaccessibility may not clear through the clearing house (Federal reserve or otherwise), necessitating the items being forwarded to them by mail for collection. The top sheet will accompany the checks, while the second sheet or duplicate will be the debit to the member bank's account.

Form T 4.—This is identical with Form T 5, except that it is intended to cover instances where there will not be many checks to forward.

Form T 5.—To be used in forwarding items drawn upon member banks located without the city in which the Federal reserve bank is situated, the top sheet accompanying the checks and the second sheet or duplicate being the debit to member bank's account.

Form T 6.—This is identical with Form T 5, except that it is intended to cover instances where the number of checks to be forwarded are fewer in number.

Form T 7.—For use of the Federal reserve banks in forwarding items to each other, the top sheet accompanying the checks, while the second sheet, or duplicate, will be a debit to "Transit account."

Form T 8.—For use of the Federal reserve banks in forwarding Federal reserve notes to each other. The top sheet will accompany the notes, while the duplicate will be a debit to "Transit account."

Form T 9.—For use of Federal reserve banks in returning to each other unpaid cash items, the original sheet accompanying the items, while the duplicate sheet is a debit to "Transit account."

Form T 10.—A claim ticket to be used in adjusting discrepancies in cash letters, such as incorrectness in listing, noninclosure of items, etc.

Form T 11.—To be used in confirming the action of correspondents, in supplying missing indorsements.

Form T 12.—A form of postal tracer to be used in tracing overdue cash letters. The pink, or duplicate, sheet will be retained in a chronological file, as a follow-up, looking to the receipt of a reply to the tracer.

Form T 13.—For use of member banks in returning unpaid cash items to the Federal reserve banks.

Forms T 14, 15, and 16.—Vari-colored slips to be used in routing batches of items to the different departments.

Form T 17.—A form of block sheet for use in establishing sectional proofs of the day's work.

Form T 18.—Proof sheet of the department, the figures for which will be obtained from a recapitulation of the block sheets.

It is quite possible that an electric indorsing machine can be used to good advantage in the transit department, and this thought should receive consideration.

COLLECTION DEPARTMENT.

The following forms have been designed for regional banks, in handling such items as may be forwarded to them for collection only:

Form COLL 1.—This is intended for notes payable within the radius covered by messengers of the Federal reserve banks. Its description follows:

Slip No. 1: Advice of disposition to member banks.

Slip No. 2: Credit to member bank (if paid).

Slip No. 3: Permanent record (to be filed chronologically, as to day of receipt, under name of member bank).

Slip No. 4: Maturity slip, serving the same purposes as the ordinary "tickler."

Form COLL 2.—This is designed for notes payable without the district covered by messengers of the Federal reserve bank, necessitating the items being forwarded to corresponding banks for collection. Its explanation follows:

Slip No. 1: Letter inclosing item to corresponding bank.

Slip No. 2: Acknowledgment of receipt from corresponding bank.

Slip No. 3: Maturity slip, to be used in following up returns.

Slip No. 4: Permanent record, to be filed chronologically, as to day of receipt, under the name of member bank.

Slip No. 5: Advice of disposition to member bank.

Slip No. 6: Credit to member bank (if paid).

Slip No. 7: Debit to corresponding bank (if paid).

Form COLL 3.—This will cover drafts and special items (exclusive of coupons), requiring specific advice of payment and which are paid upon the day of presentation. Its explanation follows:

Slip No. 1: Advice of credit to member bank.

Slip No. 2: Credit to member bank.

Form COLL 4.—This will be for items, other than notes, which are payable without the district covered by messengers of the Federal reserve bank. Its explanation follows:

Slip No. 1: Letter accompanying item to corresponding bank.

Slip No. 2: Tracing slip, to be used in following up returns.

Slip No. 3: Permanent record, to be filed chronologically, as to day of receipt under the name of member bank.

Slip No. 4: Advice of disposition to member bank.

Slip No. 5: Credit to member bank (if paid).

Slip No. 6: Debit to corresponding bank (if paid).

Form COLL 5.—This is for use in returning unpaid items, payable within the district covered by messengers of the Federal reserve bank. Its explanation follows:

Slip No. 1. Letter to member bank returning the item unpaid.

Slip No. 2. Carbon copy for files.

Form COLL 6.—Postal acknowledgment of the receipt of items entered for collection.

Form COLL 7.—This has been constructed for items (documentary or otherwise) requiring special care and which will be held indefinitely awaiting payment. Its explanation follows:

Slip No. 1. Acknowledgment of receipt to member bank.

Slip No. 2. Advice of credit to member bank.

Slip No. 3. Credit to member bank.

It will be noted that on slip No. 3 of the above form space has been allotted for notations descriptive of the progress being made looking to the ultimate disposition of the items.

Form COLL 8.—This is a postal form of tracer, to be used in tracing the disposition of items forwarded to corresponding banks for collection. The pink slip attached is a carbon of a postal and will be filed chronologically under the approximate day upon which a reply to the tracer should be received.

Form COLL 9.—This form is to be used in requesting the return of items forwarded to corresponding banks for collection. The yellow sheet attached is a carbon copy and record of the original.

Form COLL 10.—This is intended to reduce letter writing to a minimum, the form being designed as a departmental advice to member banks concerning their collections.

Form COLL 11.—This is the block sheet for the department, and will be used in accordance with the block system of proof throughout the bank.

Forms COLL 12 and 13.—These are slips to be used in routing debits and credits to the different departments and upon which will be inscribed the total amount of each batch. Form No. 12 is for credits and Form No. 13 is for debits, the difference in color being indicative of the different classes.

Form COLL 14.—This is a proof sheet for the department and upon which will be inscribed a recapitulation of the day's work obtained from the block sheets.

LOANS AND DISCOUNTS.

As rediscounting for member banks and the proposed purchase of domestic bills of exchange, etc., in the open market may be extensive, it is thought that

the application of forms to machinery will materially facilitate the work of the department, and with this in view the following plan has been designed:

Unearned discount.—It is suggested that the Federal reserve banks, instead of following the usual practice of crediting to "Current earnings" such discount as may have been collected, adopt the plan of placing the discount in an account to be known as "Unearned discount," and each day this balance will be charged with the actual discount earned and the amount thus obtained credited to "Current earnings" under the subdivision of "Discount."

This would mean that the statement of the bank would always appear upon a liquidating basis, and from an analytical point of view would materially assist in showing the true percentage of earnings to loanable funds.

Liability.—While the usual method of ascertaining the amount of liability is from detailed statistics compiled in book records, it will be noted that such entries in the liability ledgers cause a duplication of work, entailing unnecessary labor in keeping them in a state of efficiency, while under the proposed plan full details concerning liability are obtained at the same time that the bookkeeping entries, advices, etc., are typewritten by the stenographer.

For the purpose, however, of ready availability of figures concerning the total liability of concerns under the classifications of "Payer" and "Indorser" a skeleton ledger in loose-leaf form will be maintained, the entries in which will be posted in total only, and the entire liability of which must be in proof with the controlling balances on the general ledger.

As the Federal reserve banks will be principally interested in the credit standing of the payer and the last indorser, and as it is very desirable to maintain only such figures of liability as may be subject to proof, it is suggested that the liability records of the Federal reserve banks consist of payer and indorser instead of drawer, acceptor, and indorser, as the establishment of liability figures under the latter three classifications would not be possible of proof and would result in a lack of confidence as to the accuracy of such figures.

In the event, however, of it being considered necessary to maintain liability figures other than that of payer and the last indorser, this may be done by inserting additional sheets in the skeleton loose-leaf liability ledger, the postings in the accounts to be executed in red ink, which would be indicative of the fact that such figures are not to be included in the proof of liability.

It is the purpose of this plan to provide the Federal Reserve Board at Washington with a continuous record, in detail, of all notes or bills of exchange discounted for member banks or purchased in the open market, these continuous records to be executed at the same time the forms are written, without any additional labor upon the part of the Federal reserve banks, such continuous records being mailed to the Federal Reserve Board at the conclusion of each day's business, and which will be used by the credit bureau at Washington for the accumulation of such credit information as they may desire. This will enable the Federal Reserve Board at Washington to be in close touch with that portion of the business of the Federal reserve banks and place it in a position to accumulate automatically from 12 different sources most valuable statistics concerning the credit standing of the borrowers from the Federal reserve system.

In Forms BD 2, 3, 5, and 6 it will be seen that two of the last var-colored slips have been allotted for liabilities, the thought being that the slips in question, after being posted in total in the skeleton liability ledger, will be filed in a steel cabinet under an alphabetical arrangement of the names of the debtors.

The result of this would be an accumulation into one compartment, properly indexed, of the entire concentrated liability (except foreign exchange) of any concern, the controlling figures of which would be in the skeleton liability ledger, which, as previously outlined, would be posted in totals only.

As fast as the liabilities, represented by the slips, are liquidated, either at or before maturity, the slips are taken from the steel cabinet and filed in usual course by the filing department, so that the retention of the slips in this way furnishes a permanent record which may be consulted at any time.

It will be observed that this method will leave in the liability files only "live" matter of a current nature, consequently they will not be cluttered by a mass of records relating to past liabilities while the easy maintenance of the subsidiary skeleton liability ledger will furnish immediate information, in total, as to the past and present liability of any concern.

Tickler.—The last slip of the forms bears the designation of "Maturity slip" and its use will be that of providing the department with the information usually contained in a book, "tickler." The slips will be filed chronologically

under the "Maturity of the notes," with the result that the maturities of each day are accumulated in one compartment, properly indexed, and in the right-hand corner of which the total amount maturing is immediately available.

As the day of maturity is reached, the city slips are taken from the maturity file and checked to the city notes delivered to the note teller, likewise the country slips are checked to the forms covering country notes in possession of the collection department. It will, therefore, be seen that the slips have served the purpose of the usual book "tickler" in every possible way, both as to available information and the checking of missorted items.

The maturity slips then will be used to reduce the liability of the different concerns in the skeleton liability ledger, and to retire from the liability files the matured liabilities, keeping, as outlined before, only "live" records in the liability files.

Statistics.—Maturities falling due within 30, 60, or 90 days and after, can easily be obtained from the discount clerk, who will compute the figures from the totals appearing in the upper right-hand corners of the indexes, in the maturity file.

Attention is called to the fact that it is not practical to carry the above statistics upon the general ledger, inasmuch as daily adjustments would be obligatory. It is, however, feasible to have the maturities of the items show under the classifications of the different months of the year, such as the maturities falling due in January, February, etc.

All of the forms have been provided with space which may be used to either place, automatically, upon the general ledger the month of maturity, or the industry, etc., affected.

Continuous records.—As outlined before, it is suggested that the record of all notes discounted for or loans made to member banks, or paper purchased in the open market, be transcribed upon what is known as a "continuous record," this record furnishing an exact description of the note and being written in the same operation that the manifolded entries are being prepared by the stenographer.

These "continuous records" will be made use of in advising the Federal Reserve Board at Washington and in the interrelations between the Federal reserve agents and the Federal reserve banks.

Accounts.—For the purpose of distinguishing between the classes of bills discounted, the following titles have been assigned: Bills discounted—customers; bills discounted—bought.

Form BD 1.—For use of member banks in empowering proper officials to rediscount with the Federal reserve banks.

Form BD 2.—This is intended to cover notes discounted for member banks which are payable within a radius covered by the Federal reserve bank's messengers. Its explanation is as follows:

- Slip No. 1: Debit to "Bills discounted—customers."
- Slip No. 2: Credit to "Bills discounted—customers."
- Slip No. 3: Advice of credit to member bank.
- Slip No. 4: Credit to member bank's account.
- Slip No. 5: Credit to "Unearned discount."
- Slip No. 6: Indorser's liability.
- Slip No. 7: Payer's liability.
- Slip No. 8: Maturity slip.

All of the slips comprising the form are made use of upon the day of discount, either in bookkeeping entries, advices, or for the establishment of liability, with the exception of slip No. 2, being a credit to bills discounted—customers, which remains attached to the note and is filed away with it awaiting maturity.

Form BD 3.—This is identical with Form BD 2, with the exception that it is designed to cover notes discounted for member banks, which would be payable without the radius covered by messengers of the Federal reserve banks, consequently it would be necessary to forward them to other institutions for collection. The explanation of the form follows:

- Slip No. 1: Debit to "Bills discounted—customers."
- Slip No. 2: Letter to corresponding bank inclosing the item for collection.
- Slip No. 3: Acknowledgment from corresponding bank as to the receipt of the note.
- Slip No. 4: Credit to "Bills discounted—customers."
- Slip No. 5: Debit to the collecting bank.
- Slip No. 6: Advice of credit for the member bank.

- Slip No. 7: Credit to the member bank.
- Slip No. 8: Credit to "Unearned discount."
- Slip No. 9: Indorser's liability.
- Slip No. 10: Paper's liability.
- Slip No. 11: Maturity slip.

As to slips Nos. 2, 3, 4, and 5, slips Nos. 2 and 3 would be attached to the note when forwarded to the corresponding bank for collection, while slips 4 and 5 would be retained by the collection department of the Federal reserve bank and filed by it in a maturity file under the due date of the item, at which time they would be proved to the controlling slips in the discount department, then being separated, would form the credit to "Bills discounted—customers" and a debit to the collecting bank.

It will be noted that slips 2, 3, 4, and 5 were typewritten when the item was first handled by the discount department, consequently it was delivered to the collection department with the necessary forms to carry it to its final disposition, with the exception of the day of forwarding, together with the name of the collecting institution, both of which will be transcribed on the form by the collection department.

As the country notes will be delivered to the collection department the day following their discount, provision has been made upon the reverse side of the maturity slips for an acknowledgment of the receipt of the items by the collection department.

Form BD 4.—This is a continuous record, in loose-leaf form, forwarding to the Federal Reserve Board at Washington exact details of the bills discounted for member banks.

Form BD 5.—This is similar to Form BD 2, with the exception that it is intended to cover bills discounted—bought, being purchases made in the open market instead of items discounted for member banks and which are payable within the district covered by messengers of the Federal reserve banks.

Form BD 6.—This is similar to Form BD 3, with the exception that it has been designed to cover country notes purchased in the open market rather than discounted for member banks.

Form BD 7.—This is identical with Form BD 4, except that it is designed to advise the Federal Reserve Board at Washington of the exact description of bills purchased in the open market rather than discounted for member banks.

Form BD 8.—This is a draft of an alphabetical index to be used in separating the liability of debtors. That portion of the index descriptive of the name of the concern will be modeled after the usual form of indexes, permitting the changing of names at leisure.

Form BD 9.—This is a draft of an index to be used in apportioning the brokers' slips in the liability files, the purpose of placing such brokers' slips in the liability files being merely to enable a proof of liability to be established, as, of course, there will be no liability attached to the brokers unless they be compelled to indorse the commercial paper sold to the Federal reserve banks.

Form BD 10.—A chronological index, to be used in apportioning the maturity slips under the maturity of the notes, the upper right-hand corner being glazed with a coating of celluloid or something of a similar nature.

Form BD 11.—Designed for collateral loans supported by Government bonds, warehouse receipts for merchandise, etc. Its explanation follows:

- Slip No. 1: Debit to "Collateral loans."
- Slip No. 2: Credit to "Collateral loans."
- Slip No. 3: Advice to member bank.
- Slip No. 4: Credit to member bank.
- Slip No. 5: Credit "Unearned discount."
- Slip No. 6: Indorser's liability.
- Slip No. 7: Payer's liability.
- Slip No. 8: Maturity slip.

While it is assumed the Federal reserve banks will, in addition to making collateral loans supported by United States Government bonds, be obliged to make other loans supported by collateral, such as warehouse receipts, etc., covering merchandise, it is thought that loans of this character should be somewhat restricted and in every case bear a maturity.

It may be well to note in addition to the above that there will be instances in which the Federal reserve banks will rediscount items supported by collateral, so that the accounts "Collateral loans secured by United States Government bonds" and "Collateral loans—merchandise" would not be indicative of all the collateral loans made.

Form BD 12.—A continuous record, in loose-leaf form, forwarding to the Federal Reserve Board at Washington exact details of the collateral loans made each day.

Form BD 13.—This is a card record for collateral loans supported by Government bonds, the card being descriptive of the collateral and allowing space for substitutions, etc.

Form BD 14.—This is a card record of collateral loans supported by warehouse receipts for merchandise, etc., the card being descriptive of the collateral and allowing for payments covering withdrawals.

Form BD 15.—For use in rediscounting with other Federal reserve banks and supports a controlling balance upon the liability side of the general ledger known as "Rediscounts with other Federal reserve banks." Its explanation follows:

Slip No. 1: Credit to "Rediscounts with other Federal reserve banks."

Slip No. 2: Debit to the discounting Federal reserve bank.

Slip No. 3: Letter inclosing item to discounting Federal reserve bank.

Slip No. 4: Acknowledgment of receipt from discounting Federal reserve bank.

Slip No. 5: Maturity slip.

Slip No. 6: Debit to "Rediscounts with other Federal reserve banks."

Slip No. 7: Credit to "Bills discounted." * * *

All of the above slips are made use of upon the day the items are forwarded for rediscount, with the exception of slips Nos. 5, 6, and 7, being, respectively, a maturity slip, and the subsequent liquidating entries. Slip No. 5, descriptive of the maturity, will be filed chronologically in a separate maturity file covering items "Rediscounted with other Federal reserve banks," so that the total of the slips in this file will at all times prove the controlling balance upon the general ledger. Slips Nos. 6 and 7 will be substituted in place of the note and held awaiting maturity, at which time they will be separated and the debit to "Rediscounts with other Federal reserve banks" will be charged to the note teler and the credit to "Bills discounted" forwarded to the general ledger.

The original maturity slip in the regular maturity file need not be disturbed in this instance, as the reduction of bills discounted does not take place until the maturity of the items, consequently it is necessary that they be left where originally placed, viz, the regular maturity file, in order that it will be in agreement with the controlling balances.

An adjustment of unearned discount would, of course, be necessary upon receipt of the advice of credit.

Form BD 16.—This form is to be used in handling items rediscounted for other Federal reserve banks, and which are payable within the district covered by the messengers of the Federal reserve bank discounting the items.

It provides a controlling balance upon the "Resources" side of the general ledger, to be known as "Rediscounts for other Federal reserve banks." An explanation of the form follows:

Slip No. 1: Debit to "Rediscounts for other Federal reserve banks."

Slip No. 2: Credit to "Rediscounts for other Federal reserve banks."

Slip No. 3: Advice of credit to Federal reserve bank of ———.

Slip No. 4: Credit of Federal reserve bank of ———.

Slip No. 5: Credit to "Unearned discount."

Slip No. 6: Liability slip of Federal reserve bank of ———.

Slip No. 7: Maturity slip.

Form BD 17.—This is identical with Form BD 16, with the exception that it is intended to cover notes rediscounted for other Federal reserve banks which are payable without the district covered by messengers of the Federal reserve bank. Its explanation follows:

Slip No. 1: Debit to "Rediscounts for other Federal reserve banks."

Slip No. 2: Letter forwarding the item for collection.

Slip No. 3: Acknowledgment of its receipt.

Slip No. 4: Credit to "Rediscounts for other Federal reserve banks."

Slip No. 5: Debit to collecting bank.

Slip No. 6: Advice of credit to the Federal reserve bank of ———.

Slip No. 7: Credit to the Federal reserve bank of ———.

Slip No. 8: Credit to "Unearned discount."

Slip No. 9: Liability of Federal reserve bank of ———.

Slip No. 10: Maturity slip.

Form BD 18.—A continuous loose-leaf record to be forwarded to the Federal Reserve Board at Washington, D. C., by the Federal reserve bank discounting items for another Federal reserve bank.

Form BD 19.—A sample loose-leaf sheet, to be used in effecting the daily accrual of earned discount, the resulting figures to be used in a debit to "Unearned discount" and a credit to "Discount."

FEDERAL RESERVE NOTES.

It is proposed that when a Federal reserve bank wishes to issue Federal reserve notes, it will reduce bills discounted and debit a controlling balance in its resources to be known as "With Federal reserve agent to secure Federal reserve notes." After the Federal reserve notes have been received from the Federal reserve agent, which it is assumed will be the same day, the Federal reserve notes will be placed in the assets of the bank, their offset being a credit to "Federal reserve notes."

As the hypothecated notes mature, it will be incumbent upon the Federal reserve banks to either notify the Federal reserve agent of their desire to cancel the equivalent of Federal reserve notes, or, as is most likely, exercise the option of substituting notes with more distant maturities than those already hypothecated.

Form BD 20.—This has been designed to cover both the hypothecation and possible substitution of discounted notes held by the Federal reserve agent to secure Federal reserve notes. Its explanation follows:

Slip No. 1: Debit "With Federal reserve agent to secure Federal reserve notes."

Slip No. 2: Credit to "Federal reserve notes."

Slip No. 3: Maturity slip.

Slip No. 4: Credit "With Federal reserve agent to secure Federal reserve notes."

Slip No. 5: Credit to "Bills discounted * * *."

In hypothecating the notes with the Federal reserve agent it does not appear advisable to retire the liability slips typewritten at the time of the first handling of the note, as the hypothecation does not in any way affect liabilities and as the notes will eventually be returned to the Federal reserve banks for collection, but it will be obligatory, however, to remove the maturity slip from the regular maturity file, stamp it "With Federal reserve agent to secure Federal reserve notes," and then forward it to the filing department to be filed in the permanent record.

In substitution of the maturity slip described in the foregoing paragraph, slip No. 3 of Form BD 20 will be used and filed chronologically in a separate maturity file covering the outstanding notes with the Federal reserve agent, as in this way the bank will be in a position to know at any time the exact notes held by the Federal reserve agent and also will be placed in position to see upon what days substitution of notes will be required.

Form BD 21.—A continuous record, in triplicate, will be obtained from Form BD 20 and delivered with the discounts to the Federal reserve agent by the bank. The first sheet of the continuous record will serve as an application of the Federal reserve bank to the Federal reserve agent, while the duplicate will be the receipt of the Federal reserve agent to the Federal reserve bank, acknowledging the collateral as security, and the triplicate sheet will be the advice of the Federal reserve agent to the Federal Reserve Board at Washington, descriptive of the issuance of Federal reserve notes and the supporting collateral.

Form BD 22.—This is a continuous record, in triplicate, covering the substitution of collateral by the Federal reserve bank with the Federal reserve agent, upon the reverse side of each of which are listed the notes which it is desired to retire, while upon the face of the sheets will be listed the proffered collateral in substitution. The first sheet of the continuous record will be the application of the Federal reserve bank to the Federal reserve agent, the duplicate sheet will be the receipt of the Federal reserve agent to the Federal reserve bank covering the acknowledgment of the collateral received in substitution, while the triplicate will be the Federal reserve agent's advice to the Federal Reserve Board at Washington of the substitution of collateral.

Form BD 23.—This is a draft for the proposed skeleton loose-leaf liability ledger, which will be descriptive of the total indebtedness of concerns under the classification of "Payer" and "Indorser."

Form BD 24.—This is a block sheet to be used in establishing sectional proofs of the day's work.

Forms BD 25 and 26.—Slips to be used in routing the different batches of debits and credits to the general ledger, note teller, and distributing department.

Form BD 27.—A proof sheet for the department, the figures for which will be obtained through a recapitulation of the block sheets.

Form BD 28.—This is a triplicate record, which will be used in the release of collateral by the Federal reserve agent when Federal reserve notes have been tendered to him for cancellation, its explanation being:

Sheet No. 1: Application to the Federal reserve agent for the release of the collateral.

Sheet No. 2: Permanent record for the Federal reserve agent.

Sheet No. 3: Advice to the Federal Reserve Board of the release of the collateral by the Federal reserve agent.

Sheet No. 1 will serve as a permanent record for the Federal reserve bank, while sheet No. 2 will serve the same purpose for the Federal reserve agent, and, in addition, place him in a position to prove the amount of notes being held as collateral; likewise sheet No. 3 will enable the Federal Reserve Board to prove the correctness of "Rediscunts to secure Federal reserve notes," as it appears upon the daily statement of the Federal reserve agent.

BOOKKEEPING DEPARTMENT.

This department will have charge of the maintenance of the accounts of the depositors of the Federal reserve banks.

The usual method of handling such accounts is by means of bound ledgers, supported by monthly statements, descriptive of the different debits and credits entering the accounts, while under the proposed plan the bookkeeper will obtain, by machinery, a daily statement for the depositor, at the same time that he is preparing his loose-leaf ledger sheet, indicative of the day's transactions.

If not too expensive, it is suggested that the canceled checks of each account be returned with the daily statement, inasmuch as it would place them in the possession of the depositors at the earliest possible moment, and would do away with the necessity of filing, and, likewise, the maintenance of steel cabinets in which they must be assorted.

It will be observed that no provision has been made upon the daily statement for a "Key," as this will not be necessary under the general system as outlined in the bank—that of giving specific advices covering the different debits and credits entering the accounts.

The forms of the department will be:

Form B 1.—This is a combined ledger and statement sheet designed for machinery, but which with a slight modification of ruling could be adapted to handwork.

The first duty of the bookkeeper in the morning will be to transcribe upon the top sheet of the form the balance brought forward from the day prior, after which he will deliver the previous day's ledger sheets to the filing department to be filed chronologically in a transfer binder under the name and style of the depositor's account. He will then prove the total of the assembled balances to his controlling account on the general ledger.

It may be well to note at this point that the daily statement to the member banks will not contain the balance appearing to their credit at the close of business each day, but instead will simply be a statement giving the balance of the day prior, together with the debits and credits entering the account, inasmuch as it would hardly be advisable to forward a balance the accuracy of which would not be proved until the following morning. This, however, is a matter of detail, which will best be determined after the first few days of operation, as it is quite possible the nature of the work will enable all the tellers to forward their figures to the general ledger in time to have the controlling balances in proof for the bookkeepers before the conclusion of each day.

After the previous day's balances have been transcribed, the routine of the bookkeeper's work will depend largely upon the time of receipt of the morning mail, exchanges, and other departmental entries.

Form B 2.—To be used in reporting overdrafts to the proper official.

Form B 3.—A form of card index upon which will be accumulated the overdrafts appearing in any particular account.

Form B 4.—A loose-leaf record upon which will be inscribed under the name of the member bank a complete description of the checks upon which it is desired to stop payment.

Form B 5.—This is a form in quadruplicate, which will be used in handling "Transit account," its explanation being:

Page No. 1: Loose-leaf ledger sheet of "Transit account" to be retained as a permanent record by the Federal reserve bank.

Page No. 2: Loose-leaf ledger sheet of "Transit account" for the Federal reserve agent, to be retained by him as a permanent record.

Page No. 3: Advice from Federal reserve agent to the Secretary of the Treasury, which will be signed by the agent after verification and which will be the authority to the Secretary of the Treasury to execute the debits and credits in the gold-reserve balances of the different Federal reserve banks.

Page No. 4: Statement of the account to be forwarded by the Federal reserve bank, to the Secretary of the Treasury.

Pages 2 and 3 will be delivered to the Federal reserve agent, page 2, as previously outlined, being his permanent record and page 3 his advice to the Secretary. Page 4 has been designed to afford the Secretary the opportunity of checking the correctness of the Federal reserve agent's figures and also to remove the possibility of confusion in the event of the Federal reserve agent's advice going astray in the mails.

GENERAL BOOKS.

It is proposed that the general ledger, daily statement book, profit and loss ledger, and other ledger records which vitally affect the bank, be segregated from the regular bookkeeping department in order that the controlling figures of the bank be under close observation and not open to the casual examination of clerks.

The general-ledger bookkeeper will also prepare any statements of condition (exclusive of statistics) which may be required by the directors or officials of the bank, Federal reserve agent, or Federal Reserve Board.

Sample pages of the principal books which he will maintain have been drafted, and are explained as follows:

GB 1.—Proposed sheet of a bound book to be styled a "General ledger," and which will contain the controlling accounts of the bank.

GB 2.—Proposed loose-leaf sheet for the "Daily statement book," the figures for which will be obtained from a concentration of general-ledger accounts.

This book will be proved and delivered to the president or secretary-treasurer of the Federal reserve bank each morning not later than 9.30 a. m., in order that they may know the condition of the bank prior to the opening of business.

It will be noted that the leaves of the book are in duplicate, the plan being that the duplicate statement of the condition of the bank will be delivered to the Federal reserve agent for examination, and that he in turn will forward it, the same day, to the Federal Reserve Board at Washington for their information.

On Friday of each week, if it is desired, the figures may be transmitted by telegraph to the Federal Reserve Board for the compilation at their end of the concentrated figures of the 12 different banks.

GB 3.—Sample sheet of a bound book to be known as "Profit and loss ledger."

This will contain the descriptive record of profit and loss account and such other accounts as may be deemed advisable.

GB 4.—To be used in preparing a difference record of the several departments, and will be placed upon the desk of the secretary-treasurer on Monday morning of each week.

GB 5.—A ledger sheet for a subsidiary record giving the details of the short and over differences of the several departments, and must be in agreement with the difference account upon the general ledger.

GB 6.—This form has been designed for use of the directors of the Federal reserve bank at their regular weekly meetings, the plan being that the form will be manifolded so that each director will receive a copy.

GB 7.—This is an expense ledger which will be posted daily and must be in agreement with the general ledger. It will be noted that it has been prepared with the thought of showing every item of expense, although, of course, conditions will arise which may necessitate modifications.

ACCOUNTING DEPARTMENT.

This department will handle the transfer of funds; redeem unpaid cash items which have been cleared through the clearing house; issue letters of advice; prepare for official signature expense vouchers and checks drawn upon other Federal reserve banks; and arrange for the depositing of funds for the credit of the 5 per cent fund of member banks.

It will likewise be intrusted with the custody of contracts and will prepare such statistics of earnings and expenses as may be desired.

It will also handle the analysis of accounts, under whatever method may be determined.

The forms of the department are:

Form AC 1.—This will be used in transferring funds of member banks through other Federal reserve banks, its explanation being:

Top slip, page 1: Advice to Federal reserve bank, requesting the transfer to be made.

Slip No. 2, page 1: Advice to member banks that their account has been charged and the transfer arranged.

Top slip, page 2: Credit to Federal reserve banks of ———.

Slip No. 2, page 2: Debit to member bank's account.

Form AC 2.—This is identical with Form AC 1, with the exception that it is intended to cover a telegraphic transfer of funds, its explanation being:

Top slip, page 1: Advice to Federal reserve bank, requesting the transfer to be made.

Slip No. 2, page 1: Advice to member banks, descriptive of the charge and informing them that the transfer has received attention.

Top slip, page 2: Credit to Federal reserve banks of ———.

Slip No. 2, page 2: Debit to member bank's account.

Form AC 3.—For use in making transfers from one account to another, both of which keep balances with the Federal reserve bank, its explanation being:

Top slip, page 1: Advice to member bank, requesting the transfer.

Slip No. 2, page 1: Advice to the member bank whose account will be credited.

Top slip, page 2: Debit to the member bank, requesting the transfer.

Slip No. 2, page 2: Credit to the member bank whose account is to be credited.

Form AC 4.—This will cover the depositing of funds over the counter for credit of member banks' accounts, its explanation being:

Slip No. 1: Letter of advice to member bank.

Slip No. 2: A duplicate of the above, which will be tendered as a receipt to the bank or individual depositing the funds.

Slip No. 3: Credit to the member bank's account.

Slip No. 4: Auditor's checking slip.

Form AC 5.—Intended to cover the receipt of instructions from member banks to deposit funds with other banking institutions located in the same city in which the Federal reserve bank is situated, its explanation being:

Slip No. 1: Advice to the member bank that their instructions have received attention and also giving the amount charged to their account.

Slip No. 2: Accompanied by a check of the Federal reserve bank, this slip will serve the purpose of a letter of instructions to the institution receiving the funds.

Slip No. 3: Debit to member bank's account.

Form AC 6.—This will be used in arranging deposits with the Treasurer of the United States for the credit of the 5 per cent fund of member banks, its explanation being:

Slip No. 1: Advice to member bank of the amount deposited.

Slip No. 2: Debit to member bank's account.

Form AC 7.—A sample check to be used in redeeming unpaid items which have been cleared through the clearing house:

No. 1: Form of proposed check.

No. 2: Credit to "Returned items."

Form AC 8.—A proposed check to be used in drawing upon other Federal reserve banks, its explanation being:

No. 1: Form of check, together with auditor's stub.

No. 2: Credit to the account of the Federal reserve bank upon whom the check is drawn.

Form AC 9.—A proposed form of expense voucher, which would be descriptive of the particular invoice intended to be covered, its explanation being:

No. 1: Form of check, to which is attached a statement of account.

No. 2: Credit to "Expense check" and debit to "Provision for disbursements."

In this connection it may be suggested that a daily charge to expense, with a corresponding credit to "Provision for disbursements" sufficient to cover the average expense of the bank would tend to indicate more clearly the actual current earnings.

If it is determined to debit expense only at the time of actual disbursement, then, of course, the debit ticket in this instance would be labeled "Expense" instead of "Provision for disbursements."

Form AC 10.—Proposed form of envelope which is intended to inclose such contracts as may be intrusted to the department.

It will be noted that the face of the envelope provides full particulars concerning the contract, dates of payment, and various other details.

Form AC 11.—A tentative form of analysis, which could only be made use of when the actual conditions surrounding the accounts can be determined and likewise after the base of operative expense has been established. It has been tendered simply for the purpose of guidance when the time arrives for its completion.

Form AC 12.—Block sheet for the department to be used in establishing sectional proofs.

Forms AC 13, 14, 15, and 16.—Varicolored slips to be used in routing the different batches to the several departments.

Form AC 17.—A proof sheet upon which will be assembled the figures obtained from a recapitulation of the block sheets.

Form AC 18.—This is a form which will be prepared and delivered to the different departments in order that they may be in touch with the expenses of their respective departments.

SECURITIES DEPARTMENT.

As this department will have charge of the purchase, sale, and custody of such securities as will be classified under the general ledger account known as "Investments," it is suggested that the manager be an officer of the bank.

The department will also have charge of the purchase and sale of securities for the account of member banks; and, in the event of the Federal reserve banks permitting member banks to deposit securities with them for safe-keeping, they will have charge of such custodies.

The preparation of such statistics as may be required concerning the status of the different classes of investments will also be intrusted to the department.

The forms are:

Form S 1.—This will be used in purchasing securities for account of Federal reserve banks, its explanation being:

Slip No. 1: Debit to "Investments."

Slip No. 2: Debit to "Interest accrued receivable—Investments."

Form S 2.—This is a continuous record for the Federal Reserve Board at Washington, which will be written at the same time the above form is executed, and which will be forwarded to the board with the thought of placing it in a position to know, with the least possible delay, what investments have been made by the Federal reserve banks.

Form S 3.—This is a loose-leaf book which will be used in maintaining a descriptive balance of the different classes of securities on hand and will be in agreement with the general ledger at all times. Upon the reverse side of the sheet provision has been made for the listing of bond numbers.

Form S 4.—This is a sample page of a bound book which will be used to record purchase and sale of securities for account of member banks.

Form S 5.—Furnishes a summary of the condition of the investments, which will be made to the board of directors of the Federal reserve bank each week.

Form S 6.—A sample loose-leaf sheet to be used in effecting the daily accrual of interest, the resulting figures to be used as a debit to "Interest accrued receivable—Investments," and a credit to "Interest—Investments."

Form S 7.—In the event of the Federal reserve banks holding securities in safe deposit for account of member banks this form will be used, and is designed to fully describe such custodies, provision having been made for a nominal balance based upon par value and also for the date and other details, etc., of their delivery.

Before filing the form all indices, except those covering the months when interest payments are to be made should be removed, so that at a glance it may be seen what interest payments are due in any month.

In order that a proof of the custodies be possible, it is suggested that a controlling balance be placed upon the general ledger, which will in no way affect the assets or liabilities of the banks, such as, on the debit side, "Custodies," and on the credit side "Custodies due correspondents."

Forms have not been drafted covering the handling of coupons, inasmuch as it is assumed the Federal reserve banks will not burden themselves with their collection.

FOREIGN DEPARTMENT.

In general explanation of the following forms it is suggested that they have been constructed along two distinct lines, viz:

No. 1: That it will be the purpose of branch banks in the original handling of items to so manifold their entries that the regional banks will be obliged to do the least possible work.

No. 2 That the regional banks only will maintain balances abroad, and as a consequence any foreign-exchange transactions originating with branch banks will be for account of their regional banks.

Form FX 1.—Intended for use of regional banks, when forwarding cash items for credit, such items being drawn in the currencies of their respective countries at 10 days' sight and under, together with such long items as may be forwarded for immediate discount.

It will be noted in this form, as well as subsequent Forms Nos. 2, 3, 4, 5, and 6, that provision has been made for a double-accumulating typewriter adding machine, whereby at the completion of the listing of the different items a total is readily obtainable both in foreign currencies and dollars. It may also be added that this necessitates a machine with Sterling equipment.

The first page of Form No. 1 will accompany the original drafts and documents. The second page will be forwarded with the duplicate drafts and documents. The third or first liability sheet is for use of the liability clerk in the regional bank. The fourth or second liability sheet is to be forwarded to the Federal Reserve Board at Washington for the accumulation of their credit record. The fifth serves as remittance register as well as a debit to the foreign bank to whom the items have been sent.

It will be noted that the plan of a remittance register will give full particulars as to the entry, tenor, and amount of the bills, and at the same time assemble them in totals so that the bookkeeper attached to the department is materially assisted in the correct postings of the different accounts. It might also be suggested that the clerk detailed for checking the correctness of discounts, value dates, etc., has all particulars before him.

Attention is called to the fact that provision has been made in the last sheet for a "follow-up" system looking to the prompt acknowledgment of the cash letters, the covering receipts of which have already been attached to the original and duplicate letters forwarding the items abroad.

Form FX 2.—This has been constructed identically with Form FX 1, with the exception that it has been designed to cover the forwarding of exchange to a branch or a correspondent of the institution abroad, providing, as will be noted, a simultaneous advice to the regional bank's correspondent. An example of this would be the forwarding of exchange to the Dresdner Bank in Hamburg for account of Dresdner Bank, Berlin, for credit of the Federal reserve bank in Chicago. The pages of the form will be used as follows:

Page 1: Letter accompanying original drafts and documents abroad.

Page 2: Letter accompanying duplicate drafts and documents abroad.

Page 3: Notification of the forwarding of the items to the foreign bank with whom the checking balance is maintained.

Page 4: Liability sheet for use of the regional bank.

Page 5: Liability sheet to be forwarded to the Federal Reserve Board at Washington.

Page 6: Sheet for remittance register.

Form FX 3.—This is also for use of regional banks and intended to cover the handling of Australian exchange when forwarded to the place of payment for collection, and at the same time for a *realization of the proceeds through negotiation* at London. Explanation of its pages follows, viz:

Page 1: Letter accompanying the original drafts and documents to Australia.

Page 2: Letter inclosing seconds of exchange to London, looking to the negotiation of the items.

Page 3: Liability sheet for use of the regional bank.

Page 4: Liability sheet to be forwarded to the Federal Reserve Board at Washington.

Page 5: Sheet for remittance register.

Form FX 4.—This is identical with Form FX 1, being intended to cover short items drawn at 10 days' sight and under, with the exception that it is designed for the forwarding by branch banks of exchange for account of regional banks and includes a notification to the regional bank of the forwarding of the items.

Form FX 5.—This is similar to Form FX 2, covering the same purpose, with the exception that it includes a notification of the forwarding of the items abroad to the regional bank.

Form FX 6.—This will cover the same ground as Form FX 3, except that it includes a notification to the regional bank of the forwarding of the Australian exchange.

Concerning Forms FX 4, 5, and 6, it will be necessary for the regional banks to execute entries at their end upon receipt of the notification from the branch banks, who will mail the following day the remittance-register sheets, to be placed in the regional bank's binder, awaiting the acknowledgment of credit from the banks abroad.

Form FX 7.—For the purpose of maintaining a controlling balance upon such long items as may be purchased and which will be held without discount to maturity, it is proposed to establish an account upon the general ledger to be known as "Unmatured foreign bills."

This form is intended to cover these bills when forwarded by a Federal reserve bank direct to a correspondent abroad with whom it keeps a checking balance.

Page 1: Letter accompanying the original draft and documents abroad.

Page 2: Letter accompanying the duplicate draft and documents abroad.

Page 3: Serves as an acknowledgment of receipt and provides for a "follow-up."

Page 4: Is an advice of credit to customer.

Page 5: Is a credit to the customer's account.

Page 6: Is a debit to "Unmatured foreign bills."

Page 7: Is a credit to "Unmatured foreign bills."

Page 8: Is a debit to "Due from foreign banks."

It will be noted that the entire record and bookkeeping entries have been executed when first handling the bill. Pages 7 and 8, being attached to one another, are filed in a chronological manner, reflecting the maturity abroad of the item, consequently the bills are charged to the foreign banks at the approximate due date, thereby keeping our books more closely in touch with the balances abroad. It is provided, of course, that nonpayment of the items will be cabled promptly. This résumé also applies to—

Forms FX 8, 10, and 11.—This is identical with the above form, with the exception that it is designed to cover long bills forwarded to branches or correspondents of the Federal reserve bank's correspondent abroad. Its explanation follows:

Page 1: Letter accompanying the original draft and documents abroad.

Page 2: Letter accompanying the duplicate draft and documents abroad.

Page 3: A notification to the regional bank's correspondent that the item has been forwarded to one of its branches or correspondents.

Page 4: Serves as an acknowledgment of receipt and provides for a "follow-up."

Page 5: Advice of credit to customer.

Page 6: Credit to customer's account.

Page 7: Debit to "Unmatured foreign bills."

Page 8: Credit to "Unmatured foreign bills."

Page 9: Debit to "Due from foreign banks."

Form FX 9.—This will cover short items drawn at 1 days' sight and under in the following classifications, viz:

No. 1: When payable and forwarded to places where no relations have been established.

No. 2: When the items are drawn in currencies other than the currency of the countries in which they are payable.

This class of items is quite apt to be very troublesome in handling, usually being drawn upon distant points, and for the purpose of control it is suggested that they be grouped under a general ledger account, to be known as "Foreign collection banks," and it is for this account that Form FX 9 has been constructed. An explanation of the form follows:

Page 1: Accompanies the original draft and documents abroad.

Page 2: Accompanies duplicate draft and documents abroad.

Page 3: Serves as an acknowledgment of receipt and provides for a "follow-up."

Page 4: An advice of credit to the customer.

Page 5: Credit to customer's account.

Page 6: A debit to "Foreign collection banks."

Page 7: Credit to "Foreign collection banks."

Page 8: Debit to "Due from foreign banks."

Form FX 10.—For long bills purchased by a branch bank and forwarded to a direct connection for account of the regional bank maintaining the balance abroad.

It will be noted in the following explanation of the form that the record of the regional bank as well as the member bank has been made at one writing, viz:

Page 1: Letters accompanying the original draft and documents abroad.

Page 2: Letters accompanying the duplicate draft and documents abroad.

Page 3: Provides for an acknowledgment and "follow-up."

Page 4: Advice of credit for branch bank's customer.

Page 5: Credit to branch bank's customer.

Page 6: Debit to "Unmatured foreign bills."

Page 7: Debit to the regional bank for whose account the item is handled abroad.

Page 8: Credit to "Unmatured foreign bills."

Page 9: Notification to regional bank of the forwarding of the bill.

Page 10: Advice of credit from the regional to the branch bank.

Page 11: Credit to the branch bank.

Page 12: Debit to "Due from foreign banks."

Form FX 11.—This is for long bills purchased by branch banks and handled as outlined above, when the items are forwarded to a branch or a correspondent of the banking connection abroad. Its explanation follows:

Page 1: Letter accompanying the original draft and documents abroad.

Page 2: Letter accompanying the duplicate draft and documents abroad.

Page 3: Letter of notification to the foreign bank for whose account the item will be handled.

Page 4: Serves as an acknowledgment and a "follow-up."

Page 5: Advice to the branch bank's customer.

Page 6: Credit to the branch bank's customer.

Page 7: Debit to "Unmatured foreign bills."

Page 8: Debit to the regional bank in whose account the item will be credited when paid.

Page 9: Credit to "Unmatured foreign bills."

Page 10: Letter of notification from the branch to the regional bank of the forwarding of the item.

Page 11: Advice of credit to the branch bank.

Page 12: Credit to the branch bank.

Page 13: Debit to "Due from foreign banks."

Form FX 12.—This is designed for items covered by Form FX 9, except in this case they will be purchased by a branch bank and be handled in accordance with the thought outlined in Forms FX 10 and 11. Its explanation follows:

Page 1: Letter accompanying the original draft and documents abroad.

Page 2: Letter accompanying the duplicate draft and documents abroad.

Page 3: Serves as an acknowledgment and "follow-up."

Page 4: Advice of credit to the branch bank's customer.

Page 5: Credit to branch bank's customer.

Page 6: Debit to "Foreign collection banks."

Page 7: Debit to the regional bank.

Page 8: Credit to "Foreign collection banks."

Page 9: Letter of notification to the regional bank of the forwarding of the item.

Page 10: Advice of credit to the branch bank.

Page 11: Credit to the branch bank.

Page 12: Debit to "Due from foreign banks."

Form FX 13.—This will be a continuous record for items covered by Forms FX 7, 8, and 9, the original of which will go to the liability clerk of the regional bank, while the duplicate will be mailed to the Federal Reserve Board at Washington.

Form FX 14.—This will be a continuous record covering Forms FX 10, 11, and 12, the original of the form being used by the liability clerk of the branch bank, while the duplicate will be forwarded to the Federal Reserve Board at Washington.

Form FX 15.—This will serve as an advice of credit to the member banks covering such items as might be bought by the regional banks and which will

be forwarded abroad on Forms FX 1, 2, and 3. The attached duplicate will be a credit to the member bank's account.

Form FX 16.—As only certain individuals in the foreign department will be authorized to quote rates, this form has been devised for the purpose of supplying the clerks who will receive and deliver exchange, with authenticated rates, so that there will be no confusion incidental to prompt handling.

Form FX 17.—This is a daily balance sheet of the department, which will be prepared by the bookkeeper and delivered to the head of the department daily, in order that he may be in close touch with the condition of balances abroad, without the necessity of examining the foreign ledger. It is understood, of course, that in the left-hand column the names of the correspondents abroad will be printed.

Form FX 18.—This form will serve the purpose of recording special cable words not covered in the codes and which may be required as a notification of prompt payment or nonpayment.

Form FX 19.—This form consists of a debit and credit ticket to be used in the transfer of funds from one foreign account to another, principally because of cable transfers and arbitrage operations.

Form FX 20.—This form serves as a confirmation covering the purchase of cable transfers from institutions through their brokers.

Form FX 21.—The foreign department may require for counter use, as well as for the use of member banks, a supply of drafts, and the form tendered herewith is to supply that want.

Form FX 22.—In arranging for postal remittances ordered by member banks this form has been constructed, the original of which will be forwarded abroad with the necessary instructions. The carbon copy will be retained in a loose-leaf binder, awaiting the return of the receipts.

Form FX 23.—Upon the above receipts being received, they will be returned to the member banks upon this form, the full data being obtained from the duplicate of Form FX 22, which, as previously outlined, will be retained in a binder for the purpose.

The receipts covering postal remittances returned from abroad are usually written in an undecipherable way, and the above forms and method of handling will materially assist in completing the record.

Form FX 24.—(Out. Travelers' record not required.)

Form FX 25.—This has been modeled to relieve as much as possible formal letters being written by the department, as it is felt that many routine matters can easily be covered by this form. The duplicate will serve as a record for the files.

Form FX 26.—This is a series of postal cards to be used in tracing overdue items. The duplicate is filed away under a maturity "follow-up" system, so that all overdue items will receive intelligent and careful tracing.

Form FX 27.—This form will be executed in triplicate and is intended to cover the depositing of funds in institutions in accordance with instructions received from foreign banks. The first sheet is to the bank receiving the funds. The two remaining portions of the form serve as an original and duplicate receipt, the original being forwarded to the bank requesting the depositing of the funds and the duplicate is for the files.

Form FX 28.—(Out.)

Form FX 29.—This is for use in arranging cable transfers and serves as a confirmation and bill (inclusive of cable charges) to the customer, as well as a credit to the foreign bank and a "follow-up" to see that the amount due is received.

Form FX 30.—This covers the offerings of the foreign department, looking to the establishment of lines of credit needed for the purchase and sale of exchange.

Form FX 31.—For use of the liability clerk in the foreign department, and is indicative of the total liability of customers, both as drawer and drawee.

Form FX 32.—For use of the liability clerk in the foreign department, and shows the total of payer's liability under "Unmatured long items."

Forms FX 33 and 34.—This is a suggested "block sheet," together with a tab for use in routing items to different departments.

Form FX 35.—A ledger sheet for the foreign department ledger and from which it will be noted a balance in dollars is obtainable at any time. A balance in foreign amounts is deemed unnecessary, as it would serve no useful purpose except for the reconciliation of the account at stated intervals, at which time the auditing department can easily strike the balance.

Form FX 36.—This is for use of the manager of the foreign department, who will do the trading, or who will influence the trading, and arrange for the establishment of quotations. It has been arranged upon a Chicago basis, but, of course, it may easily be adjusted to whatever center it is determined to have the rates emanate from.

Forms FX 37 and 38.—These sheets are intended to be compiled weekly by the liability clerk of the foreign department, and in turn to be delivered to the manager of the department for the purpose of keeping him in close touch with the liabilities of his clients without the necessity of consulting the liability ledger. It is also suggested, if required, that the originals, or perhaps duplicates, of the form be delivered to the board of directors of the Federal reserve bank at stated intervals.

Form FX 39.—This is designed to cover the receipt of a cable from abroad, concerning which it is necessary to cable a reply and may be of use in relations with member banks as well as for those from whom bills of exchange have been purchased in the open market.

Form FX 40.—This form is somewhat descriptive of its use, and is intended to be a matter of record of the addition of any word in the private cable code.

Form FX 41.—This is an added ledger sheet for the foreign-department ledger, descriptive of the record of purchases and sales of foreign currency over the counter. Its use will enable any examiner to know just how much of any particular foreign currency is being held in the department, together with the dollar value at which it is being carried on the books.

Forms FX 42 and 43.—These are credit and debit tickets descriptive of the different classes of foreign currency bought and sold, and from which the bookkeeper will post to the foreign-currency sheet.

Form FX 44.—This is a labor-saving form which covers an advice to the customer, together with a debit and credit to different accounts.

Form FX 45.—This is identical with Form FX 44, with the exception that the advice to the customer reflects a debit in his account, the manifolding entry being a credit to some other account.

Form FX 46.—A suggested form of daily statement for the foreign department, showing its condition in a similar manner to that of the rest of the bank. This daily statement should be in the hands of the administration of the bank each morning at the same time that the daily statement book of the general bank is being examined, so that the two may be compared if necessary.

Form FX 47.—This form has been arranged in order that the regional banks might be equipped to handle strictly collection items payable in foreign countries, and upon which no advance or credit would be made until the actual settlement of the item. Its explanation follows:

Page 1: Accompanies the original draft and documents abroad.

Page 2: Accompanies the duplicate draft and documents abroad.

Page 3: Serves as an acknowledgment of the receipt of the item, together with a "follow-up."

Page 4: Is an advice of credit to the customer.

Page 5: Is a credit to the customer's account.

Page 6: Is a debit to "Due from foreign banks."

Form FX 48.—This is identical with Form FX 47, with the exception that it is intended to cover strictly collection items payable in foreign countries, which may be received by branch banks and which would be forwarded abroad for account of its regional bank. Its explanation follows:

Page 1: Accompanies the original draft and documents abroad.

Page 2: Accompanies the duplicate draft and documents abroad.

Page 3: Serves as an acknowledgment to regional bank of the receipt of the item.

Page 4: Serves as an acknowledgment to branch bank of the receipt of the item, together with a "follow-up."

Page 5: Advice for customer of the branch bank.

Page 6: Credit for customer of the branch bank.

Page 7: Debit to the regional bank.

Page 8: Letter to the regional bank descriptive of the forwarding of the item.

Page 9: Advice for branch bank.

Page 10: Credit for branch bank.

Page 11: Debit to "Due from foreign banks."

Form FX 49.—A sample check to be used by the regional bank in drawing upon their direct connections abroad, and concerning which it will be noted that the original and duplicate advices, together with the credit to the foreign

bank's account, as well as the auditor's checking stub, have been written at the time of the issuance of the check.

Form FX 50.—A sample check to be used by the regional banks in drawing upon a branch or a correspondent of their foreign connection.

Form FX 51.—A sample check for the use of regional banks in drawing their long drafts upon a direct connection abroad.

Form FX 52.—This is the departmental daily proof sheet, upon which is transcribed the totals as obtained from the recapitulation of the "block" sheets.

It will be noted that in each case the accounts described upon the proof sheet represent simply interlocking balances with the general ledger and other departments, so that the proof of the accuracy of the figures is controlled by other departments.

AUDITING DEPARTMENT.

The duties of the auditor will be largely governed by his vested power and authority, but in no sense should his department form an operating unit of the bank.

His functions should be those of verification and control, systematic examinations of the different departments, criticism of discipline and system, and he should have a general knowledge of the earnings and expenses of the bank.

The routine of the auditing department would consist of examinations, verification of correction entries, scrutiny of general-ledger tickets, adjustment of errors, reconciliation of balances, both domestic and foreign, maintaining direct correspondence with member banks, etc., in reply to inquiries affecting the adjustment of accounts, investigations resulting from the marking of mail matter to the auditing department by the officers of the bank who desire special investigations to be made, control with a daily proof and by means of checking to stubs all cashier's checks, expense vouchers, redemption checks, and certified checks; arranging for the handling and reforwarding of national-bank examiners' requests for information, and establishing a proof upon the general ledger.

The forms of the department would be:

Form A 1.—This will be used for the registration of such inquiries as may be received in connection with examinations by bank examiners, directors, etc.

Form A 2.—To be used in forwarding the balance of any account, as at the close of business on a certain day, in response to an authorized request.

Form A 3.—Reconciliation blank to accompany the daily statement which will be forwarded to each account upon the last business day of the month.

Form A 4.—Sample envelope to be inclosed with the above form of reconciliation in order that its return may be made directly to the auditing department.

Form A 5.—Card record for registering the receipt of reconcilements.

Form A 6.—A tracer to be forwarded no later than the 15th of the succeeding month to such accounts as have not reconciled their balance of the month prior.

Form A 7.—A form to be used in decreasing formal letter writing, looking to the adjustment of exceptions, as shown upon the reconcilements.

Form A 8.—Form of reconciliation to be retained by the auditing department and upon which will be inscribed the reconciliation of balances with other Federal reserve agents as well as with foreign banks.

Form A 9.—To be used after the reconciliation of foreign accounts in instructing the foreign department to make entries covering commission charges, postage, etc.

Form A 10.—Auditor's proof of general ledger, the figures for which will be assembled from a recapitulation of the different departmental proof sheets.

Form A 11.—Suggested letterheads for the correspondence of the auditor.

Form A 12.—Card record to be filed chronologically in a special examination file, and upon which will be inscribed the teller or subject to be examined, the salient points to be covered, and the best methods of procedure. This will enable the auditor to make systematic examinations at irregular periods, owing to the fact that upon each day of examination the cards will be replaced in the file in the compartment of a future determined date.

Form A 13.—To be used in requesting special reports from clerks who have made errors, either of commission or omission.

In this connection it is suggested that the secretary-treasurer and an assistant, or any two officers who might be determined upon, meet with the auditor each business morning for the purpose of examining the typewritten reports

which will be the result of using Form A 13, as in this way the designated officials of the bank will be kept in close touch with the clerical force. Possible defects of system will be obtained in this way which it would be difficult to develop in any other manner.

Form A 14.—This will be used in reporting the results of departmental and other examinations.

There will be no cashier-check registers maintained in the department, inasmuch as this work is a duplication of labor, and for the purposes of proof and control the same object will be served by retaining the credit tickets executed at the same time the checks are drawn.

MAIL DEPARTMENT.

This department will receive and distribute all mail matter received between the hours of 9 a. m. and 2.30 p. m., and likewise it will be intrusted with the forwarding to member banks, etc., of all mail matter emanating from the officers and the different departments.

It is suggested that the equipment include steel racks with suitably sized compartments, in which the mail for each member bank may be accumulated (in this way a saving of postage will be made), an electric envelope opener, and an electric envelope sealer.

FILING DEPARTMENT.

The object of this department will be the collection and filing of all mail matter which has accumulated during the day. There are no distinctive forms for the department, but it is suggested that the files be operated upon a plan of assembling into separate compartments, under an alphabetical arrangement of member banks, such mail matter and carbon copies of transactions as may affect each individual bank.

The daily accumulation of ledger sheets from the bookkeeping department, liability slips from the discount department, general ledger tickets, canceled checks from the auditing department, and the proof sheets and block sheets of all departments will likewise be filed and cared for by this department.

MISCELLANEOUS.

The following-described forms are general in character and can not be directly assigned to any particular department:

Form MISC 1.—A sample of check to be used in the different departments, the distinguishing red numbers being indicative of the department originating the transaction. It is suggested that the discount, securities, accounting, and foreign-exchange departments be supplied with their own cashier's checks to bear the distinctive numbers 1, 2, 3, and 4, respectively.

It will be noted that at the time the check is drawn a corresponding credit has also been executed by means of a carbon impression.

An auditor's stub has been affixed to the check, which will protect the signing officer, who upon affixing his signature will detach the stub and place it in a box situated upon his desk. The auditing department will collect the stubs the following morning and check them to their proper entries.

Forms MISC 2 and 3.—These are sample credit and debit tickets, which will be used by the departments in executing entries which have not been covered by other forms.

Form MISC 4.—This is a form of debit ticket which will be used by clerks working after hours and to whom a disbursement of a nominal sum will be made.

Form MISC 5.—This will be used in handling expense incidental to the forwarding or receiving of telegrams for account of member banks, etc., its explanation being:

Slip No. 1: Advice to member bank of the charge.

Slip No. 2: Debit to member bank's account.

Slip No. 3: Credit to "Provision for disbursements."

Form MISC 6.—This will be used by all departments in forwarding registered mail matter to the mail department, the purpose being that each department will obtain a signed receipt from the mail department that the contents of the letters or parcels have been received by them.

Form MISC 7.—A vault record to be used by the different departments and is designed to show the time their particular compartments were closed, as well as the opening and closing of the main doors of the vault.

Form MISC 8.—This is a card to be used by the chief clerk, which is descriptive of applications for employment as well as an employee's record.

Form MISC 9.—A sheet to be used by all departments in reporting to the chief clerk the time of closing of the previous day, together with any debit or credit difference which might have occurred in their general work. Provision has also been made for the reporting of absentees and the reason for absence.

Form MISC 10.—A form to be used by the chief clerk in reporting to the secretary-treasurer the time of closing of all departments on the day prior, together with any debit or credit differences in their work, names of absentees, and the reason for their absence. The data for this form will be supplied from the departmental record as outlined in Form MISC 9.

Form MISC 11.—This will be used by the different departments in requisitioning supplies from the chief clerk. The second sheet of the form is a carbon copy of the requisition, which will be retained by the department, in order that they may be in a position to check the departmental bill which will be rendered, say, semi-monthly, by the chief clerk or the purchasing agent.

Form MISC 12.—A card, upon which will be inscribed the signatures of those authorized in the member banks to transact business with the Federal reserve banks.

Form MISC 13.—A card, upon which will be inscribed the signatures of Government officers authorized to transact business with the Federal reserve banks.

FEDERAL RESERVE AGENT.

As the Federal reserve agent will have relations with the Federal reserve bank and the Comptroller of the Currency, and as he likewise will be under the necessity of making certain reports to the Federal Reserve Board at Washington, all of the forms to be used by the agent have been designed to cover his necessary bookkeeping entries as well as to provide for a concentrated advice of his operations to the Federal Reserve Board.

The forms of the agent are:

Form FRA 1.—This is intended to cover the receipt by the Federal reserve agent of Federal reserve notes from the Comptroller of the Currency, its explanation being—

Slip No. 1: Acknowledgment of receipt to the Comptroller of the Currency.

Slip No. 2: Credit "Federal reserve notes from Comptroller of the Currency."

Slip No. 3: Debit "Federal reserve notes on hand."

Form FRA 2.—This will be used in forwarding mutilated Federal reserve notes to the Comptroller of the Currency for destruction, its explanation being—

Slip No. 1: Notification to the comptroller of the forwarding of the notes.

Slip No. 2: To accompany the shipment.

Slip No. 3: Credit "Federal reserve notes on hand."

Slip No. 4: Debit "Federal reserve notes from Comptroller of the Currency."

Form FRA 3.—This will be for use of the Federal reserve agent when issuing Federal reserve notes to the Federal reserve bank, its explanation being—

Slip No. 1: Credit to "Federal reserve notes on hand."

Slip No. 2: Debit to "Federal reserve notes in circulation."

Slip No. 3: Debit "Rediscounts to secure Federal reserve notes."

Slip No. 4: Credit "Collateral received from Federal reserve bank, Chicago."

The advice to the Federal Reserve Board at Washington of the issuance of the currency and its supporting collateral, having already been obtained by means of the continuous record, as outlined in the discount section, it will not be necessary to provide this form with a slip covering advice. It will, however, be noted that all of the necessary bookkeeping entries have been written at one operation.

Form FRA 4.—This will be used to cover the depositing of gold or other lawful money by the Federal reserve bank with the Federal reserve agent to reduce the outstanding Federal reserve notes, its explanation being—

Slip No. 1: Credit to "Provision for redemption of Federal reserve notes."

Slip No. 2: Debit "Gold and lawful money to retire Federal reserve notes."

Form FRA 5.—This is a sample loose-leaf ledger sheet to be used by the Federal reserve agent in maintaining such controlling accounts as will be necessary.

It will be noted that a duplicate of the ledger sheet has been provided, with the thought that this will serve the purpose of a concentrated daily statement to the Federal Reserve Board of the condition of the Federal reserve agent's accounts.

For the relations of the Federal reserve agent with the Secretary of the Treasury, covering transactions in "Transit account," see Form B 5 of the book-keeping department.

SECRETARY OF THE TREASURY.

Under the proposed transit plan a certain portion of the gold reserve of the Federal reserve banks will be concentrated at Washington with the Secretary of the Treasury, who will maintain a record descriptive of the balance of the gold reserve of each Federal reserve bank.

The entries in the different balances will be obtained from daily statements received from the Federal reserve agents, who, as previously outlined, will verify the entries and authenticate the daily statements with their signatures.

As it will be advisable for each Federal reserve bank to be acquainted daily with the condition of their gold reserve at Washington, a form, in duplicate, has been provided which will enable the Secretary to retain the top page as a ledger sheet, or permanent record, while the duplicate will be forwarded to the Federal reserve banks.

SYSTEM II.

In the development of this system every effort has been made to simplify and abridge the clerical routine by the use of manifold forms where initial entries could be utilized for a number of purposes; to organize the departments and procedure so that needless duplication of work and records would be avoided; and finally, by the introduction of special departmental settlement forms which would serve both for the departmental proof and the auditor's control, to centralize in the audit division complete control over the daily operations.

A few typical examples will serve to illustrate the extent to which reentry of transactions has been avoided by the use of manifold forms. In the loan department there will be prepared at one writing the loan register entry and the liability ledger voucher from which the debit entries in the liability ledgers will be checked and the credit entries posted upon maturity of the loan. The form devised for use in connection with transfers to banks in other districts will permit of the preparation at one writing of the credit or charge to the regional bank, the office record, and the advice to be sent to the member bank affected. The member banks' form for returning items unpaid provides for the preparation at one writing of the letter of inclosure to the member bank to which the item is returned, authorization to recipient to credit its regional bank, advice to the regional bank of the charge to its account for the item, authorization of the transfer of such charge to the regional bank in whose district the item originated, and, finally, the member bank's record of the return of the item and of its charge to the regional bank from which received. In the bookkeeping department there will be prepared at one writing the regional bank's ledger record of its transactions with the member banks and the statements of account and advices to be sent the member banks. While special attention has been given to arranging these and all other forms accompanying this report so that they can be used with any of the standard adding and typewriting machines now on the market, no radical changes in the accounting system should be necessary were special machines utilized.

In the planning of the departments, the aim has been to restrict them to the smallest number required for the expeditious and correct handling of the work, to group the departments and operations so that conflict of duties and consequent duplication of work would be avoided, and finally, by compelling departments handling funds to account to another department for such funds, to have the departments themselves automatically check each other's work. The extent to which duplication of work and records has been overcome by planning the procedure so that the items will go direct from the department in which they originate to the final recording department, is illustrated by the following:

Upon receipt, checks drawn by member banks on their regional banks will be sorted and listed on proof sheets, the number of the member bank inserted, and

both the proof sheets and the checks forwarded to the bookkeeping department. The proof sheets will be delivered to the journal clerks, who will post the totals shown thereon to the proper accounts in the member bank's journal. The checks themselves will be utilized by the ledger clerks for preparing the ledger record and the daily statement to be sent to the member banks. As the entries in the journal will be compiled from the proof sheets and those on the ledger direct from the items, and a daily comparison made of the two sets of balances, it is obvious that this procedure affords every possible protection against errors—and moreover with only two entries of the item.

The following is a brief description of the proof system by means of which the audit division will be able to maintain complete control over the work of the various departments whose transactions affect the figures in the daily statement of condition. Departmental settlement sheets (Form A-2) have been provided on which the various departments—or subdivisions of departments, in the case of the clearings and transit departments—will be required to balance their work independently but along uniform lines. The upper section of this form is ruled for entry of the debits and credits of the departments to the member banks, Government deposits, general, and other accounts, and the lower section for entry of the interdepartmental debits and credits in respect of items delivered to or received from them, and such other departmental transactions as may arise. Each department receiving items from another department being required to enter them on its settlement sheet to the credit of the department charging them, it is apparent that for each debit and credit in a certain department there should be a corresponding credit or debit in some other department. At the close of business each day the totals of the departmental settlement sheets are to be assembled by the auditor on the general proof sheet. This general proof sheet will at once reveal any errors in the work of the different departments and will serve to centralize in the audit division complete control over the daily operations of the bank by furnishing the means for tracing and verifying all interdepartmental entries. Furthermore, this control will be obtained without unnecessary relisting, for the items will go direct from the various tellers' departments to the bookkeeping department.

CHIEF CLERK.

The chief clerk will be the intermediary between the officers and the clerks engaged in the banking division. All instructions of the officers affecting the clerks in this division are to be issued through the chief clerk, who should be held responsible for the fulfillment of such instructions, and also for the prompt and efficient conduct of the routine work of the division and for the general discipline of the clerks under his jurisdiction.

Subject to the approval of the officer in charge, the chief clerk should arrange for the filling of temporary vacancies occasioned by illness, vacations, etc., and for the purchase of stationery and supplies.

LOAN AND INVESTMENT SECURITIES DEPARTMENTS.

The loan and investment securities departments will comprise the rediscounts department, the open-market purchases department, and the investment securities department. Explanatory of the functions of these departments and the records to be maintained therein, we submit the following:

REDISCOUNTS AND OPEN-MARKET PURCHASES DEPARTMENT.

The rediscounts and open-market purchases departments will be responsible for the proper handling and custody of the notes rediscounted for member banks and the paper purchased in the open market, and also for the maintenance of the books and forms required for recording the transactions and collecting such of the loans as are payable out of town. Briefly, the duties of these departments will include the examination, as to their regularity, of the notes, drafts, etc., received; the calculation of the interest, discount, and maturities; the entering of the paper in the discount registers, maturity records, and liability ledgers; the filing of the paper pending collection, which is to be effected through member banks in the event of the paper being payable out of town, or through the note teller's department if payable in the city in which the regional bank is situated; and the posting of the credits for payments in the liability ledgers.

The forms to be used in the rediscounts and open-market purchases departments being either similar or common to both, the two departments will be dealt with as a unit in the ensuing description of the forms required.

Authority to rediscount (B-1).—This form when executed will be a certificate reciting that the board of directors of the member bank has authorized certain of the officers to rediscount with, sell to, or borrow from their regional bank. A copy of this form is to be executed by each member bank.

Application for loan (B-2).—An application is to be executed on this form by the member bank and submitted to the regional bank with each schedule of notes, drafts, and bills of exchange offered for rediscount.

Schedule of notes, drafts, and bills of exchange offered for rediscount (B-3).—This form, after completion by the member bank, is to be forwarded to the regional bank together with the application for loan, Form B-2.

In order that the regional bank may have sufficient details of the paper offered for rediscount, provision has been made for inclusion in this schedule of the number, name, and location of the offering bank; the name, address, and business of the maker or drawer; the acceptor, indorser, or collateral; where payable; date of note; due date; discount rate; and face amount of note.

Register of rediscounts (B-4); register of open-market purchases (B-5).—As the notes, drafts, or bills are received from the member banks for rediscount, or purchased in the open market, they are to be entered directly from the notes in the respective registers. These registers are arranged so as to show for each item the consecutive index number; the date rediscounted or purchased; date of note; due date; time; rate of discount; amount of note; discount; proceeds; for whom rediscounted or from whom purchased; the maker or drawer; the acceptor, indorser, or collateral; and where payable. The "a" sections of these forms will be classified as to city and country items, and thereafter filed in chronological order according to due dates, while the "b" sections will be placed in binders and will constitute the discount registers proper.

Credit tickets for the proceeds of the notes, etc., rediscounted or purchased in the open market, will be prepared at intervals during the day and forwarded to the bookkeeping department.

At the close of business, tickets covering the day's totals of the rediscounts and open-market purchases, and the discount received on each class of paper, as shown by the respective registers, are to be prepared and forwarded to the bookkeeping department.

City maturity record (B-6); country maturity record (B-7).—After the notes, drafts, etc., have been recorded in the discount registers, they are to be classified as to "city" and "country" items and entered in the proper maturity record under the respective due dates. As the tickets prepared at the time the entries are made in the discount registers will be filed in chronological order according to due dates and will be available for reference, it will be necessary to enter in the city maturity record only the index number and the amount of the note, and in the country maturity record only the index number, the amount of the note, and where payable. For such of the items as are sent to member banks for collection, the date on which the receipt of the item is acknowledge by the collecting bank is to be subsequently added from Form B-13.

At the close of business each day tickets for the totals of the respective maturities are to be prepared and forwarded to the general bookkeeper for credit to the controlling accounts.

The maturity records are to be footed weekly, and from the footings so obtained will be compiled the totals for the 30-day, 60-day, and 90-day paper rediscounted or purchased by the regional bank.

Notes or other items rediscounted for member banks and not paid at maturity are to be charged to the account of the member bank for which rediscounted and returned. Paper bought in the open market not paid at maturity is to be charged to an account entitled "Past due paper," pending payment or other disposition.

Member banks' liability ledger (B-8).—This form is designed to provide a detailed record of the contingent liabilities of each member bank to the regional bank.

A separate sheet will be opened for each member bank on which will be recorded in the "rediscounts" section the date on which the item was rediscounted; its index number; the maker or drawer; the acceptor or indorser; the due date; the discount rate; and the rediscount amount. When paid, the date and amount of the payment will be entered in the "credits" columns and

the amount in the "balance" column reduced accordingly. In the section designated "other liability" will be entered the details of the contingent liability of the member banks as acceptors or indorsers on paper purchased in the open market.

The debit entries are to be posted direct from the notes and proved by comparison with the tickets prepared at the time the entries are made in the discount registers.

Liability ledger—Rediscounts and open market purchases (B-9).—In this record will be entered under the names of the makers or acceptors their liability to the regional bank in respect of notes rediscounted by member banks and paper purchased in the open market.

In addition to the name, address, business, and rating of the borrower there will be entered in this ledger the date on which the note, draft, etc., was rediscounted or purchased; the index number; from whom received; the indorsers; the due date, and the amount of the liability, subdivided as to rediscounts and open market purchases. When paid, the date and amount of the payment will be entered in the "credits" columns and the amount in the "balance" column reduced accordingly.

Should the notes, drafts, etc., be later hypothecated with the Federal reserve agent, this information is to be entered in the "deposited" column on the line containing the description of the paper. When returned by the Federal reserve agent, the date is to be entered in the "withdrawn" column and the amount in the "balance" column reduced accordingly. This balance can be very readily proved by listing the open items.

From the foregoing it will be seen that this ledger will show both the extent of the borrower's liability and the location of the paper—that is, whether it is in the possession of the regional bank or whether it is held by the Federal reserve agent as collateral.

In the event of paper being sold by the regional bank prior to maturity, the date and amount would be posted in the "credits" column and the name of the purchaser recorded in the "sold to" column.

The debit entries are to be posted direct from the notes and proved by comparison with the tickets prepared at the time the entries are made in the discount registers.

Contingent liability record—rediscounts and open market purchases (B-10).—Separate sheets of this form are to be used for each indorser on paper rediscounted or purchased in the open market. The form will be headed with the name of the indorser, his address, business and financial rating, and will show for each item the date on which it was rediscounted or purchased; the index number; the maker or acceptor; the liability amount; the credits for payments; and the balance—representing the net contingent liability.

The debit entries are to be posted direct from the notes and proved by comparison with the tickets compared at the time the entries are made in the discount registers.

Weekly report of borrower's liability (B-11).—It is through the medium of this form, which is to be prepared weekly by the regional banks from the liability ledgers, that the Federal Reserve Board will obtain the data it requires as to the extent and nature of the liabilities of the customers of the member banks to the regional banks and the amount of the paper hypothecated by the regional banks with the Federal reserve agent. Two copies are to be made, one of which is to be forwarded to the board and the other retained by the regional bank. So as to minimize the amount of work involved in the preparation of this report, it is suggested that lines of less than, say, \$10,000 be excluded.

Being designed on the unit plan, it will only be necessary for the Federal Reserve Board to assembled in alphabetical order, according to makers or acceptors, the reports received from the various regional banks in order to ascertain the aggregate liability of each individual borrower for notes rediscounted or purchased by the regional banks.

Weekly report of member banks credit balances and rediscounts (B-12).—This form is somewhat similar to Form B-11, except that it is intended to show, for each member bank, its average credit balance with the regional bank, the amount of notes rediscounted by it with the regional bank, and the contingent liability of the member bank in respect of acceptances or indorsements on paper purchased by the regional bank in the open market.

The data required for the completion of this form will be obtained from the member bank's liability ledger, Form B-8, and from the member bank's ledger Form "G-4a."

Collection form for notes owned payable in discounting bank's district (B-13).—The several copies of this form will serve respectively as a letter of inclosure, receiving bank's acknowledgment, charge ticket, and office record of notes owned, which are sent to a member bank for collection. It is to be prepared in quadruplicate and the following disposition made of the various copies:

Original: To be sent to collecting bank with item, as a letter of inclosure.

Duplicate: To be sent with item to collecting bank, by which it will be signed and returned to regional bank. Upon receipt by regional bank, the date of the acknowledgment is to be entered on the country maturity record, Form B-7, and duplicate filed in correspondence file.

Triplicate: To be filed by regional bank in note file until maturity, then turned over to the note teller's department. Thereafter the collecting bank will be charged with the amount of the item and triplicate sent forward as an advice of such charge.

Quadruplicate: To be retained by the regional bank in numerical order as a permanent record.

Collection form for notes owned payable in other districts (B-14).—This form is to be used in forwarding to other regional banks notes owned which are payable outside the district of the forwarding regional bank; it consists of an original to be sent to the collecting regional bank with the items and a duplicate to be retained by the forwarding bank.

On the due date of the items, the duplicate, or debit sheet, is to be turned over to the note teller's department and used as a charge against the collecting regional bank.

Record of notes hypothecated with Federal reserve agent (B-15).—This form, which is to be prepared in duplicate, and is to accompany each lot of notes turned over to the Federal reserve agent as collateral for Federal reserve notes issued, provides for the recording of the serial numbers given the notes by the Federal reserve agent and by the regional bank, and the amounts of the notes hypothecated.

Upon delivery of the notes, the original of this form is to be signed by a representative of the Federal reserve agent as an acknowledgement of the receipt of the notes, and then returned to the regional bank. The duplicate is to be retained by the Federal reserve agent as his record of the transaction.

When the notes are returned to the regional bank by the Federal reserve agent, the date on which they are so returned is to be inserted on both copies; consequently both the Federal reserve agent and the regional bank will be in possession of a complete record of the notes pledged as collateral with the agent and the disposition made of the notes.

Record of collateral withdrawn from Federal reserve agent (B-16).—Aside from the fact that it is to be used in withdrawing notes deposited as collateral, this form is somewhat similar to Form B-15. In the case of Form B-16, however, the original is to be retained by the regional bank, while the duplicate is to be signed by the regional bank as an acknowledgment of the receipt of the notes, and thereafter returned to the Federal reserve agent.

Collateral card (B-17).—The particulars to be recorded on this form will include the name and address of the borrower; the serial number, amount, date, and other details of the loan; and the quantity, description, and market value of the collateral. Upon payment of the loan and surrender of the collateral, the borrower or his representative is to sign the collateral card in acknowledgement of the receipt of the securities described thereon.

Record of securities held as collateral (B-18).—This form will be used for classifying according to issues the securities pledged as collateral. A sheet will be reserved for each issue on which will be entered the name and description of the security, the date pledged or surrendered, the number and name of the loan upon which pledged, the number of bonds or shares pledged or surrendered, and the total par value of the securities pledged, surrendered, and on hand.

Accruals.—To insure the accuracy of the published statements of condition and facilitate the verification of the interest earned on rediscounts and paper purchased in the open market, it is essential that the regional banks should have an accrual system which will permit of the ascertainment of the actual earnings from this source at daily or weekly intervals. By the adoption of the following procedure the amount of interest earned on loans outstanding could be determined daily with very little difficulty:

At the close of business each day the total of the interest collected as shown by the "discount" columns in the register of rediscounts, Form B-4, and the

register of open market purchases, Form B-5, should be credited to the general ledger account entitled "unearned interest." Simultaneously, a charge should be made to this account—the proper earnings account being concurrently credited—for one day's interest on the total of the loans outstanding. To facilitate the computation of this charge, a columnar book containing debit, credit, and balance columns for the loans at each interest rate should be provided, in which should be entered the net increases or decreases in the loans made or paid each day and the revised totals of the loans outstanding at the various interest rates.

Twice a year the balance in the unearned interest account should be proved by listing in a columnar book, under the respective interest rates, the amount and unexpired days for each loan outstanding, and computing therefrom the total interest unearned.

INVESTMENT SECURITIES DEPARTMENT.

To this department will be assigned the custody of the bonds and other securities in which the regional bank has invested and all matters relating to the recording of the purchases, sales, and maturities of such securities, the receiving of securities purchased, and the delivery or redemption of securities sold or matured.

Investment register (B-19).—Separate sheets of this register are to be used for each issue of securities acquired. These sheets will be headed with the name and description of the security, the date of maturity, the rate of interest, and where such interest is payable. For the recording of the individual transactions, columns are provided in which will be entered the date purchased or sold, the basis, and percentage prices; the number, par value, and cost of the bonds, notes, etc., purchased; the number, par value, and selling price or redemption value of the securities sold or redeemed, the balance on hand, and the profit or loss on sales. The reverse of this form is to be utilized for recording the serial numbers of the securities purchased, sold, and redeemed.

TELLERS' DEPARTMENTS.

The following is a list of the tellers' departments:

- Paying teller's department.
- Receiving teller's department.
- Note teller's department.
- Transfer department.
- Clearings department.
- Collection department.

The activities of these departments will be confined almost entirely to the receiving and disbursing of cash and the collection or transmittal of items turned over to them. They will, in consequence, require no permanent records of importance except the proof and settlement sheets, on which will be listed, in amounts only, the items passing through the departments.

PAYING TELLER'S DEPARTMENT.

The paying teller will attend to all payments made over the counter, the certifying of checks, clearing-house settlements, and other duties of a similar nature. He will also be required to pass on the authenticity of the signatures on the drafts, checks, etc., received in his department.

It is proposed also that the paying teller shall supervise the shipping of currency to member banks and the forwarding of mutilated currency for redemption. Should the shipments of currency to member banks prove to be very numerous, however, a special department might be created to take charge of such shipments.

The paying teller should be responsible only for the counter cash, as it is suggested that the reserve cash be placed under the joint control of two officers.

Stop-payment notice (C-1).—This form will be used by the paying teller in acknowledging receipt of a member bank's request to stop payment of a draft drawn by it on the regional bank and in advising the bookkeeping department of such stop payment. The three copies to be prepared will be utilized as follows:

Original: To be sent to member bank at whose request payment was stopped as an acknowledgment of the receipt of its instructions.

Duplicate: To be delivered to the bookkeeping department and held there pending presentation of draft. Should the request to stop payment be canceled later on, the duplicate is to be so marked and then filed.

Triplicate: After receipt of duplicate has been acknowledged, this copy is to be filed in the paying teller's department.

Certification record (C-2).—This form is designed to provide a suitable record of checks certified for account of member banks.

The original, or certification debit, is to be sent to the member bank, together with the daily statement. The duplicate, which will constitute the regional bank's record of the transaction, will be stamped "paid" as the originals are redeemed. This record could be prepared in either pad or book form.

At the close of business a credit ticket for the total of the day's certifications is to be prepared and forwarded to the general bookkeeper. The certified checks paid each day will be listed on bookkeeping department Form G-6, which is intended to support the debits to the controlling account. The total of the checks issued but not paid should equal the balance in the general ledger controlling account for certified checks.

It may be explained at this point that the certifications would probably be few in number, and in most cases would be for the purpose of establishing the genuineness of the signatures on drafts.

Notice of currency shipments (C-3).—The original of this form will be used both as a charge ticket and as an advice to the member bank that the shipment has gone forward; the duplicate will be retained by the regional bank and filed with the member bank's requisition for the currency.

RECEIVING TELLER'S DEPARTMENT.

The chief duties of the receiving teller will be to accept the deposits made by local member banks and to receive shipments of currency forwarded by out-of-town member banks. He will, in addition, maintain the cashier's check register, and attend to such other duties as may be assigned him.

All cash on hand in this department at the close of business each day is to be surrendered to the paying teller.

Deposit ticket (C-4).—A form similar to this is to be used by the member banks when depositing currency or coin in their regional bank.

Cashier's checks register (C-5).—This form is intended to provide a detailed record of the cashier's checks issued in settlement of balances, notes, and bills purchased, and other necessary transactions.

The checks are to be recorded in the register in numerical order, the date, payee, and amount being entered, as well as the account for which the payment was made.

At the close of business the total of the day's entries in the "amount" column is to be extended in the "daily total" column and the general bookkeeper supplied with a credit ticket for the amount of the checks issued during the day. The cashier's checks paid each day will be listed on bookkeeping department Form G-7, which will support the debits to the controlling account.

When the checks are paid, the date is to be entered in the last column. The total of the checks issued but not paid as shown by the register should equal the balance in the general ledger controlling account for cashier's checks.

NOTE TELLER'S DEPARTMENT.

This department will be the medium through which all payments made on account of loans, interest, etc., will be received. From the loan and collection departments will be received the daily maturities, and from the other departments returns and other items payable within the city. The proceeds of the items collected by this department are to be distributed and charged to the proper departments, all cash being turned over to the paying teller's department. The messengers will be under the jurisdiction of the note teller.

Member banks' form for returning items unpaid (C-6).—This form will be used by the member banks in returning unpaid items direct to the member banks in which they were deposited and in charging back such items to the regional bank from which they were received. The four copies to be made of this form are to be disposed of as follows:

Original: To be inclosed with the item, which is to be returned direct to the member bank in which it was deposited.

Duplicate: To be sent to the regional bank from which the member bank received the item, as advice that item has been returned direct and charged to the account of the regional bank to which advice is sent. The regional bank will utilize this ticket as a credit to the account of the member bank returning the item.

Triplicate: To accompany the duplicate. If the item originated in another district, the triplicate will be utilized by the regional bank to which it is sent in preparing Form C-7, statement of returned items.

Quadruplicate: To be retained by the member bank returning the item as authority for its charge to the account of the regional bank from which the item was received.

Regional bank's statement of returned items (C-7).—The data required to complete this form, which is to be used in charging back to other regional banks items returned to their member banks, will be obtained from Form C-6. The original is to be sent to the regional bank from which the items were received as an advice of the charge to its account. It will be used by the recipient as authority for crediting the account of the regional bank from which received, and charging the accounts of the member banks to which the items have been returned. The duplicate will be retained as an office record.

Debit ticket for returned items (C-8).—The data required to complete this form will be obtained from the member banks' form for returning items unpaid (C-6), or from the regional bank's statement of returned items (C-7), depending on whether the member bank to which the item was returned is situated in the same or in another district.

After the account of the member bank has been charged, this form is to be sent to the member bank as an advice of such charge.

TRANSFER DEPARTMENT.

It is intended that this department shall handle all matters relating to the transfer of funds from one member bank to another member bank.

Transfer ticket (C-9).—This form will be used only when both banks are situated in the same district. The three copies to be prepared are to be utilized as follows:

Original: To be used as a credit ticket and then sent to the member bank to which the transfer is made, as an advice.

Duplicate: To be used as a debit ticket and then sent to the member bank requesting the transfer, as an advice.

Triplicate: To be retained and filed after confirmation has been received from the member bank requesting the transfer.

Statement and debit ticket for telegraphic transfers to banks in other districts (C-10).—The several sections of this form will be used respectively as a confirmation of telegraphic transfers to member banks in other districts and as a charge to the member bank requesting the transfer.

The original of the statement section (b) is to be sent to the regional bank to which the transfers are made as a confirmation of the transfers and advice of credit; the duplicate is to be retained as an office record. The debit ticket section (a) is to be sent to the member bank requesting the transfer, as an advice of the charge.

Statement and credit ticket for telegraphic transfers from banks in other districts (C-11).—Except that it will be completed by the regional bank to which the transfers were made, this form will be used in somewhat the same manner as Form C-10.

The original of the statement section of this form (b) is to be sent to the regional bank at whose request the transfers were made as a confirmation of the transfers and advice of charge; the duplicate is to be retained as an office record. The credit ticket section (a) is to be sent to the member bank to which the transfer was made, as an advice of the credit.

Statement and debit ticket for correspondence transfers to banks in other districts (C-12).—As indicated by its title, this form is to be used only when the transfers are to be effected by correspondence.

The original of the statement section (b) is to be sent to the regional bank to which the transfers are made as authorization of transfer and advice of credit for the amount of such transfers; the duplicate is to be retained as an office record. The debit ticket section (a) is to be sent to the member bank requesting the transfer, as an advice of the charge.

Correspondence transfer credit ticket (C-13).—This form will be used by the regional bank when crediting its member banks for transfers made to them

by banks situated in other districts. It will be prepared from the statement of correspondence transfers, Form C-12, and is intended to serve both as a credit ticket and as an advice to the member bank to which the transfer is made.

CLEARINGS DEPARTMENT.

The in-clearings and out-clearings divisions of this department will handle, respectively, the checks received from the clearing house and the checks sent to the clearing house.

The records of this department will be limited to proof and settlement sheets containing a record of the amounts of the checks received from and sent to the various banks.

It is intended that the clearings department shall sort the checks received according to the ledgers to which they apply, and, so far as possible, according to the accounts in these ledgers. Thereafter the proof sheets are to be delivered to the bookkeeping department, where they will be utilized in posting the debits to the accounts of the member banks and government departments. The items also are to be sent to the bookkeeping department for entry in the ledger and daily statement. As totals only will be posted in the journals and the items themselves will be utilized in preparing the regional bank's record of the charge and the daily statements, all relisting and other duplication of work will be avoided.

COLLECTION DEPARTMENT.

In addition to being the custodian of all notes received from other regional banks for collection, this department will have charge of the recording and transmitting of country items collectible through member banks. Items payable locally are to be delivered to the note teller's department at maturity for collection.

Collection form for notes sent out by collection department (C-14).—The several copies of this form will serve respectively as a letter of inclosure, receiving bank's acknowledgment, charge ticket, and office record. Four copies are to be made and disposition made of them as follows:

Original: To be sent with item, as a letter of inclosure, to collecting bank.

Duplicate: To be sent with item and original to collecting bank, by which it is to be signed and returned to regional bank.

Triplicate: To be filed by regional bank in note file until maturity, and then turned over to the note teller's department, where it will be utilized as a debit ticket for the charge to the account of the collecting bank, and then sent forward with the daily statement as an advice of such charge.

Quadruplicate: To be retained by the regional bank in numerical order as a permanent record.

TRANSIT DEPARTMENT.

The duties of the transit department will be confined to the receiving and transmitting of checks, drafts, etc., for member banks. It is intended that the incoming and outgoing mail shall be handled by separate subdepartments and that the work of each shall be proved independently.

Aside from the charge letter for outgoing items, the records originating in this department will be limited to proof and settlement sheets.

Member banks' remittance letter (D-1).—While it is highly desirable that the member banks use a standard form for listing the checks deposited with their regional bank, their regular stock can be utilized if it allows for the entering of the place where the checks are payable. Whatever form is used, however, two copies are to be prepared, one of which will be forwarded with the items to the regional bank and the other retained by the member bank.

The items are to be assorted and thereafter listed on separate letters according to the following classification:

Items drawn on the regional bank in which they are deposited.

Items payable in the city in which the depositing bank's regional bank is situated.

Items payable in the same reserve district, but outside the city in which the regional bank is situated—one letter for each State or other subdivision adopted.

Items payable in other reserve districts—one letter for "inside" items and another for "outside" items. The "outside" items, however, are to be classi-

fied and listed according to the States in which they are payable, or other subdivisions adopted.

Member banks' recapitulation of deposits with regional bank (D-2).—This form is to be used by the member banks for summarizing and classifying the items deposited according to the transit time schedule.

On the books of the member banks the total amount of the deposits will be charged immediately to a transit account, to which credits will be made daily for the amounts due to be collected on that day, the account with the regional bank being correspondingly charged.

Upon receipt of the items by the regional bank, the account of the member bank will be credited immediately with the total amount of the deposit, regardless of the time required for the collection of such of the items as are payable out of town. In order, however, that the regional bank may know the actual free balances, a memorandum column has been provided in the member banks' journal, Form G-1, in which the credits will be analyzed under the dates on which they are due to be collected.

For further information relative to the handling of the transit items reference is made to the section of the committee's detailed report devoted to transit department matters.

Regional banks' list of items drawn on member banks (D-3).—This form will be used by the regional banks when transmitting checks to their member banks. The original is to accompany the items and the duplicate retained as an office record.

FOREIGN EXCHANGE DEPARTMENT.

Under the terms of the Federal reserve act, the foreign exchange department will be empowered to purchase and sell bills of exchange, demand and time drafts, cable transfers, and other classes of commercial paper and securities; also gold coin, bullion, etc. To provide for the proper recording of these transactions, books and forms will be required as follows: Cash books, draft and remittance registers, liability records, a journal, a correspondents' ledger, and a general ledger in which will be carried the controlling accounts of the department and from which the daily statement of condition will be compiled.

Cash receipts book (F-1).—This book will be kept by the receiving clerk of the department, and is intended to contain a complete record of all transactions involving the receipt of cash or checks.

In the columns reserved for the "date," "particulars," and "debits" will be entered, respectively, the date and a brief explanation of the transaction and the amount of cash received. The "credits" columns are to be utilized for classifying the entries in the "debits" section according to the accounts to which such receipts should be credited.

At the close of business each day the columns in both the "debits" and "credits" sections are to be totaled and proved, tickets being prepared thereafter for the day's receipts of each currency, and for the total credits applicable to each of the accounts enumerated in the "credits" section. These tickets, after approval by the proper officer, are to be delivered to the general bookkeeper of the department for entry.

Cash disbursements book (F-2).—In this book, which is to be kept by the disbursing clerk of the department, will be entered the details of the cash disbursed and the checks issued for bills of exchange and cable transfers purchased, and for other purposes.

All entries are to be supported by properly approved memoranda. In every case such memoranda should bear the initials of the clerks responsible for the calculation and verification of the rates and conversions, as well as the initials of the approving officer.

Except as regards the nature of the transactions to be recorded therein, the cash disbursements book is to be used in precisely the same manner as the cash receipts book.

Draft advice and record (F-3).—The record of drafts drawn consists of four sections, which are to be prepared at one writing and utilized as follows:

Section "a," original advice: To be sent by first steamer to the bank on which the draft is drawn.

Section "b," duplicate advice: To be sent by second steamer to the bank on which the draft is drawn.

Section "c," to be filed with the correspondence relating to the bank on which the draft is drawn.

Section "d," to be inserted in a suitable binder and preserved as the department's record of drafts drawn.

All four sections, when completed, will show the name and address of the bank on which the draft is drawn, the date and number of the draft, to whose order it is drawn, the tenor, the amount, and the names of the steamers by which the drafts and advices are being forwarded. On sections "c" and "d" will be entered, in addition, the rate, the amount in United States currency, and to whom the draft was sold.

At the close of business each day tickets are to be prepared for the daily totals of the drafts drawn, which tickets, after approval, are to be delivered to the general bookkeeper of the department for entry.

Remittance advice and record (F-4).—This also is a manifold form consisting of four sections, which are to be utilized as follows:

Section "a," original advice: To be sent by first steamer to the correspondent.

Section "b," duplicate advice: To be sent by second steamer to correspondent.

Section "c": To be used as a voucher for the debit postings to the liability records, and then filed in chronological order.

Section "d": To be inserted in a suitable binder and preserved as the department's record of remittances to its correspondents.

Upon completion, all four sections will show the name and address of the correspondent to which the bill is remitted; the names of the steamers by which the bills and advices will be forwarded; the date; index number; the names of the drawer, indorser, and drawee; the tenor and amount of the bill; a description of documents accompanying it, and the terms under which such documents are to be surrendered. The office copies—sections "c" and "d"—will contain, in addition to the foregoing data, the rate, amount in United States currency, date of credits, and remarks if necessary.

At the close of business each day tickets are to be prepared for the daily totals of the remittances, which tickets, after approval, are to be delivered to the general bookkeeper of the department for entry.

Customers' liability record (F-5).—In this record will be entered under the names of the customers their contingent liability to the department as drawers, indorsers, and guarantors.

The particulars to be entered will include the name, address, business, and rating of the customer, the date and number of the item, the names of the drawer and drawee, the tenor, the approximate due date, and the liability amount. Provision being made for entry in separate columns of the liability of the customer as drawer, as indorser, and as guarantor, this record will, of course, show the nature of the customer's liability, as well as the aggregate amount.

The debit entries will be posted from section "c" of the remittance advice and record, Form F-4.

As the items mature and are paid or otherwise disposed of, the customer should be credited in the proper columns, and the amounts in the "balance" columns reduced accordingly.

Payers' liability ledger (F-6).—This ledger will contain the details of the payers' liability to the department, both as drawees and as acceptors.

The ledger sheets will be headed with the name, address, business, and rating of the payer, and will show for each item the date, the index number, the name of the customer, the tenor, the approximate due date, and the liability amount. Separate columns being provided for the entry of the liability as drawee and as acceptor, the extent of the payer's liability under each of these classifications is already ascertainable.

The debit entries will be posted from section "c" of the remittance advice and record, Form F-4.

As the items mature and are paid the payments should be posted in the proper credit column and the amount in the "balance" columns reduced accordingly.

Journal (F-7).—Transfer from one account to another, adjustments occasioned by interest charges, and other transactions not originating in the cash books and the draft and remittance registers are to be entered in the journal. Being columnar in arrangement, the posting of individual items to the ledgers will be necessary only in connection with the miscellaneous items appearing in the column head "sundry accounts."

All entries are to be supported by properly approved tickets.

Correspondents ledger (F-8).—In this ledger will be carried the accounts of the foreign banks selected as correspondents or agents.

All entries other than those posted direct from the draft and remittance records are to be supported by self-explanatory and properly approved tickets.

The particulars to be recorded include the date and a brief description of the transaction, the index number assigned the item, the value date, and the amount. Both the foreign amount and its equivalent in dollars are to be entered. The balance is to be carried in the dollar amount only, as the foreign currency balance would not be needed except when the account is to be reconciled. As advices for charges are received from the foreign correspondents, the amounts of such charges are to be entered in the "charges" column opposite the item to which they apply, after which the net amounts are to be extended in the column so headed.

The auditor will be required to attend to the reconciliation of the statements received from correspondents. Form Y-3 has been provided for use in this connection.

General ledger (F-9).—The general ledger of the foreign exchange department is to be a bound book and will contain all of the control accounts relating to the resources and liabilities of the foreign exchange department and the earnings, expenses, and profit and loss accounts.

All entries are to be supported by properly approved tickets.

Daily statement book (F-10).—At the close of business each day the general ledger balances are to be entered in this book, which will thus constitute a daily record of the resources and liabilities of the department.

BOOKKEEPING DEPARTMENT.

The bookkeeping department will have charge of the accounts of the member banks and Government departments, also the general accounts. In addition, it will be responsible for the preparation of the daily statement of condition and the monthly statement of earnings and expenses and for the maintenance of the analytical records of earnings and expenses.

Member banks' journal (G-1).—This journal will be used for assembling the daily debits and credits and determining the balances of the member banks at the close of each day's business.

In the "debit" columns will be posted the daily charges to each account as shown by the proof sheets prepared by the clearings, transit, and other departments. In the column headed "credits to ledger" will be posted the total of the credit letters received from the member banks. At the close of business each day the balances are to be extended and proved.

In order that the free balance in each account may be readily ascertained, we have included under the heading "credits" a memorandum column entitled "credits in transit," in which the subtotals of the credit letters are to be distributed according to the dates on which the items are due to be collected.

While this style of journal would not be suitable for a bank having a large number of accounts, many of which are inactive, it is especially desirable in the case of the regional banks, where there will be a comparatively small number of accounts, all of which will probably be very active.

In addition to serving as a medium for assembling the daily debits and credits, the member banks' journal will furnish a check on the entries in the member banks' ledger—the entries in the journal being compiled from the proof sheets and those in the ledger direct from the items.

Government deposits journal (G-2).—Except that it does not contain a column for credits in transit, this form is very similar in arrangement to the member banks' journal, and is to be used in the same manner.

General journal (G-3).—By the use of this journal for assembling the daily debits and credits to the general accounts, the daily statement will be completed simultaneously with the balancing of the accounts. The daily statement could, of course, be prepared direct from the general ledger, but in that event it would be far more difficult to locate any differences which might arise.

Member banks' ledger and daily statement (G-4a).—This form will be prepared in duplicate direct from the items. After the day's transactions have been entered, the original—the ledger sheet—is to be inserted in a suitable binder for use as the regional bank's record, and the duplicate forwarded to the member bank concerned for use as an account current and advice of the charges and credits made by the regional bank.

An explanation of the key letters to be used in the preparation of the ledger accounts and statements of the member banks will be found in a subsequent section of this report.

Federal reserve bank's ledger and daily statement (G-4b).—Except that it will be reserved for recording transactions with other regional banks, this form is very similar to the member bank's ledger and daily statement, and is to be used in precisely the same manner.

General ledger (G-5).—This is to be a bound book and will contain an account for each item appearing in the statement of condition. All entries must be supported by properly authorized debit and credit tickets.

Record of certified checks paid (G-6)—Record of cashier's checks paid (G-7).—These forms will be used for listing, by numbers and amounts, the certified checks and cashier's checks paid each day. The daily totals of the checks paid, as recorded on these forms, are intended to support the debits to the general ledger controlling accounts for certified checks and cashier's checks.

Expense voucher (G-8).—This consists of a check and statement to be forwarded to the creditor and a carbon duplicate to be attached to and filed with the relative invoice. Before signing the check section the cashier should see that the duplicate bears the approval of the proper persons.

Expense distribution record (G-9).—This form will be used for distributing under appropriate headings the charges to expense account. Separate columns are provided for salaries, directors' fees, legal services, postage, printing and stationery, light and water, rent, freight and express, insurance and bonds, telephone and telegraph, taxes, etc. The details of the expenses incurred will be obtained from the debit tickets covering cash disbursed by the paying teller or from the expense voucher in the event of the payment being made by check.

A somewhat similar form could be used for analyzing the earnings.

Comparative statement of earnings and expenses (G-10).—This statement, which is to be prepared monthly, will show in comparative form the details of the earnings and expenses for the current month and the fiscal period to date as well as the increases or decreases over the previous month and period.

Most of the data required for the completion of this statement will be obtainable from the general ledger and the expense distribution record.

Statement of condition (G-11).—This is to be prepared daily from the general journal and supporting records.

Suggested condensed gross statement for report to Federal Reserve Board (G-12)—Suggested condensed net statement for report to Federal Reserve Board (G-13).—These are alternative forms. Whichever is adopted will be compiled from the daily statement of condition (Form G-11).

KEY LETTERS TO BE USED IN THE PREPARATION OF THE LEDGER ACCOUNTS AND DAILY STATEMENTS.

In order to minimize the clerical work involved in the preparation of the ledger accounts and the statements for member banks and other regional banks it is proposed that key letters shall be used for describing routine transactions. For convenience, these key letters and their definitions will be printed on the back of the daily statements.

Following is a list of the key letters relating to transactions with the member banks, their definitions, and a full description of the transactions where necessary. For illustrative purposes the transactions are described from the standpoint of the regional bank situated in New York.

DEBITS.

A. Items on you forwarded you preceding business day.

Items drawn on member banks and forwarded to them by regional banks are to be charged to the member banks the day on which they will be received by the member banks, being carried until that time in a transit account on the regional bank's books. Assuming that all member banks will be within one day's mail of their regional banks, the charges would be for items forwarded the preceding business day.

AT. Deposited with assistant treasurer.

For deposits made by regional bank with the Assistant Treasurer of the United States for credit of member banks.

CA. Charged as per separate advice to-day.

To be used for special charges not covered by other key letters.

CC. Currency or coin shipped as per advice to-day.

CL. Clearing expenses.

For monthly charges to member banks for expense incurred in the collection of items.

CN. Note in your hands for our account due to-day.

For regional bank's notes or bills sent to member bank for collection and charged to it on due date, also for notes and bills received from other regional banks and forwarded to a member bank for collection, for which a charge will be made on the due date.

HD. Held as per advice to-day.

For item temporarily unpaid and retained for collection.

NT. Handed to notary as per advice to-day.

For items received from member banks, unpaid at close of day, which have been protested and returned to the member banks from which received.

PF. Protest fees as per advice to-day.

For fees charged on protested items returned.

RT. Item returned as per advice to-day.

For items drawn on member banks in other districts which were not paid and have been returned direct to our member bank.

TC. Transfer by correspondence as per advice.**TT. Transfer by telegraph as per advice.****CREDITS.****A. Cash letter received.**

For items drawn on member banks in our district and in other districts received from our member banks for credit.

OA. Credited as per separate advice to-day.

To be used for special credits not covered by other key letters.

OC. Currency or coin received.**DC. Deposit for your account as per advice to-day.**

For deposits made by third party with regional bank for credit of member bank.

DI. Dividend payable to-day.

For dividends payable to members banks, which are to be credited direct to their accounts.

IR. Interest rebated.

For unearned interest or discount on loans or discounts taken up prior to due date.

RD. Proceeds of loan or rediscount.**PF. Protest fees.**

For fees on unpaid items returned by our member banks.

RT. Item returned as per your advice.

For unpaid collection items returned.

TC. Transfer by correspondence as per advice.**TT. Transfer by telegraph as per advice.**

The key letters to be used in describing the transactions arising among the regional banks are similar to those prescribed for transactions between the regional banks and their member banks, except for such changes as are necessary on account of the altered character of the transactions. The following is a list of the key letters to be used for regional-bank transactions, with explanations:

DEBITS.**A. Items on member banks in your district forwarded you.**

For items drawn on member banks in other districts forwarded their regional bank for credit.

CA. Charged as per separate advice to-day.

To be used for special charges not covered by other key letters.

CC. Currency or coin shipped as per advice to-day.**CN. Notes due to-day as per our list.**

For notes or bills sent to other regional banks for collection, which are to be charged on due date.

EC. Entered for collection as per advice to-day.

For items received from other regional banks temporarily unpaid and retained for collection.

NT. Handed to notary as per advice to-day.

For items received from other regional banks unpaid at close of day which have been protested and returned to the member banks from which received.

PF. Protest fees as per advice to-day.

For fees charged on protested items returned.

RT. Items returned as per our list.

For unpaid collection items.

TC. Transfer by correspondence as per advice.

TT. Transfer by telegraph as per advice.

CREDITS.

A. Items on member banks in our district received from you.

For items drawn on member banks in our district, forwarded us for credit.

CA. Credited as per separate advice to-day.

To be used for special credits not covered by other key letters.

CC. Currency or coin received.

CV. Notes due to-day as per your list.

For notes or bills received from other regional banks for collection, which are to be credited on due date.

EC. Item entered for collection now paid.

For items received from other regional banks temporarily unpaid as described under *EC.* in "debits," now paid and credited.

IR. Interest rebated.

For unearned interest or discount on loans or discounts taken up prior to due date.

PF. Protest fees.

For fees charged on protested item returned.

RD. Proceeds of rediscount.

RT. Items returned as per your list.

For items returned unpaid to our member banks.

TC. Transfer by correspondence as per advice.

TT. Transfer by telegraph as per advice.

MISCELLANEOUS FORMS.

Stock subscription ledgers (M-1 and M-2).—These forms will be used for recording the subscriptions received from member banks and from individuals, and the installments paid on account of such subscriptions.

The record of member banks' subscriptions, Form M-1, is designed to show the number, name, and location of the subscribing bank, its paid-up capital stock and surplus, the amount of the subscription required by law, and the installments paid thereon. As the amount of the subscription, divided by the par value per share (\$100) will give the number of shares represented by the subscription, it has not been considered necessary to provide a special column for entry of the number of shares.

For recording subscriptions received from individuals, Form M-2 will be utilized. The front of this form is ruled for entry of the name, address, and legal residence of the subscriber, the date and amount of the subscription, and the date and amount of the payments on account of such subscription. The reverse will contain a record of the stock certificates issued to the subscriber and the stock certificates surrendered for transfer.

Stock subscription certificate (M-3).—This form is designed to serve both as a subscription certificate and as a receipt for the installment payments. It is intended to be used principally in connection with subscriptions received from individuals.

Stock subscription receipt (M-4).—The stock allotted to the member banks being nontransferable, it is recommended that they be given receipts for the individual payments instead of the stock subscription certificate described in the preceding paragraph.

Stock certificate receipt (M-5).—This form consists of a stub and a detachable receipt on which the subscribers will be required to acknowledge receipt of the stock certificates issued to them.

Stock transfer record (M-6).—This form will be used for recording transfers for account of stockholders other than the member banks. It is ruled for entry of the date of the transfer; the serial number of the certificate surrendered and the number of shares represented thereby; the name of the transferer; the number of the certificate issued in exchange; the number of shares represented by the new certificate, and the name and address of the transferee.

Standing order to mail dividend (M-7).—Each stockholder to whom dividend checks will be issued should be required to complete a copy of this form. If the dividends are to be remitted to some one other than the owner of the stock, the signature of the stockholder should be acknowledged before a notary public.

Dividend register (M-8).—As most of the stockholders of the regional banks will be member banks whose holdings are not transferable, a dividend register of this type should meet all requirements. It is ruled to show the names and addresses of the stockholders and the dividends applicable to their holdings, also the number, rate, and total amount of the dividend, the date on which it was declared, the date paid, and the date credited to the liability account for dividends declared.

Dividends payable to member banks are to be credited to their accounts direct from the dividend register. For the dividends payable to other stockholders dividend checks will be issued.

Authority to open account with regional bank (M-9).—Each member bank opening an account with its regional bank should be required to furnish the latter with a certified copy of the resolution of the board of directors authorizing such action. Form M-9 is recommended for use in this connection.

Signature card (M-10).—Simultaneously with the opening of an account, the member bank will be required to file with its regional bank, on this form, a list of the signatures to be recognized by the regional bank in the payment of funds or the transaction of other business for account of the member bank.

Purchase order (M-11).—This form is designed to furnish a suitable record of the orders issued for the purchase of stationery and other supplies. The original of the order is to be forwarded to the supplier and the duplicate retained for office use.

Stock record for supplies (M-12).—For each article carried in stock separate cards of this form are to be used, on which will be entered the description, the index number, and the location of the stock; the purchases; the issues; and the balance.

FEDERAL RESERVE AGENT.

The act stipulates that the Federal reserve agent shall be a person of tested banking experience and that he shall maintain, under regulations to be established by the Federal Reserve Board, a local office of said board on the premises of the bank with which he is connected. These stipulations will necessitate the Federal reserve agent keeping suitable records of the notes received, issued, and withdrawn, of the rediscounts and other paper held as collateral to note issues, and such other records as may be prescribed by the Federal Reserve Board.

Record of Federal reserve notes received from the Comptroller of the Currency (X-1).—In the respective columns of this record will be entered the date and nature of the transaction, the amount of notes received from the Comptroller, the amount returned to the Comptroller, and the balance to be accounted for by the Federal reserve agent. This balance should equal the amount of notes on hand as shown by Form X-2 and the notes issued to the regional bank as recorded on Form X-3.

Record of Federal reserve notes on hand (X-2).—This record will show the details of the notes received from the Comptroller of the Currency or returned by the regional bank, the notes issued to the regional bank or returned to the Comptroller, and the balance, subdivided as between notes on hand which are fit for circulation and notes which are not fit for circulation and are to be returned to the Comptroller.

Record of security furnished by regional bank and Federal reserve notes issued (X-3).—From this record the Federal reserve agent will be able to ascertain at any time the amount of rediscounts and other paper hypothecated with him by the regional bank and the amount of Federal reserve notes issued against such security.

The total amount of each borrower's paper hypothecated with the Federal reserve agent being ascertainable from the loan department records, it will not be necessary for the agent to maintain a special record for this purpose.

Application for Federal reserve notes (X-4).—This form, which will be used by the regional bank when applying for Federal reserve notes, is to be prepared in duplicate. The original is to be retained by the regional bank as authority for the credit to circulation account, while the duplicate is to be signed by the paying teller of the regional bank in acknowledgment of the receipt of the notes and returned to the Federal reserve agent for entry on his records.

Retirement of Federal reserve notes (X-5).—Except that it is to be used in connection with the retirement of Federal reserve notes, this form is very similar to X-4.

Record of notes hypothecated with Federal reserve agent (B-15); record of collateral withdrawn from Federal reserve agent (B-16).—As explained in a preceding section of this report, the loan department will prepare these forms in duplicate in order that the Federal reserve agent may be able to retain a copy for his own use.

Advice of currency returned to comptroller (X-6).—This form will be used by the Federal reserve agent for advising the comptroller of shipments of mutilated currency.

Each package of currency returned to Washington should be accompanied by a detailed schedule of the contents, showing both the serial numbers of the notes returned and their denomination.

Daily report on note circulation (X-7).—The Federal reserve agent will report daily to the Federal Reserve Board on this form the total issues and withdrawals of Federal reserve notes, the amount of unfit notes returned to Washington, and the total amount of notes on hand at the close of the day.

AUDIT DIVISION.

The function of the audit division will be to audit the records and securities of the various departments comprising the banking division, also those of the Federal reserve agent.

The auditor in charge of this division should be thoroughly acquainted with the banking business in all its phases and competent to judge if every part of the work is being properly performed. While not under their jurisdiction, the auditor should cooperate with the officers conducting the banking division so far as is necessary to safeguard the interests of the bank.

Under no circumstances should either the auditor or his assistants be allowed to prepare or approve tickets of original entry. On the other hand, the audit division should be required to prepare all tickets needed for the correction of errors; all error tickets should, however, be referred to an officer in the banking division for approval before delivery to the bookkeepers for entry.

A classification and analysis of the duties of the audit division follow:

General proof.—At the close of business each day the various departments will deliver their settlement sheets to the audit division, where the interdepartmental transactions will be verified and the departmental totals assembled on the auditor's general proof sheet, Form Y-1.

Reconcilements.—The reconciliations of the accounts carried with other regional banks, with member banks and Government departments, and with correspondents abroad will be prepared by the audit division. The domestic accounts are to be reconciled on Form Y-2 and the foreign accounts on Form Y-3. Reference to these forms will show that in each case the reverse can be utilized for listing the outstandings.

Departmental audits.—Each of the departments comprising the banking division should be audited at irregular intervals during the year. These audits should include a verification of the cash, loans, investment securities, and other resources; a comparison of the securities held as collateral with the collateral records; a proof of the liability accounts, and a detailed check of the accrual accounts, and the accounts relating to earnings and expenses.

The securities and accounts of the Federal reserve agent should also be subject to audit at frequent intervals.

Loose-leaf records.—The audit division should have charge of all sheets for loose-leaf records, furnishing them as required and keeping an accurate record of those in use and in the transfer files.

Canceled vouchers.—All canceled vouchers relating to the general accounts, debit and credit tickets, etc., should be promptly delivered to the audit division for filing.

Circular No. 8.]

FEDERAL RESERVE BOARD,
Washington, D. C., October 17, 1914.

In order to promote a desirable uniformity in the organization of the Federal reserve banks, the Federal Reserve Board presents for consideration the outline of a tentative organization for the banks in certain essential aspects of their

business. The outline has not been finally approved by the Federal Reserve Board. It represents the work of certain experts who were appointed by the organization committee to examine into the details of organization. It is, therefore, offered simply as a basis for further discussion.

OUTLINE OF DISCUSSION.

In dealing with the general question of the organization of the reserve system after the necessary structure has been set up by the appointment of the boards of directors of the Federal reserve banks and by the appointment of the Federal Reserve Board itself, it is deemed best to recognize several distinct elements as follows:

1. The organization and management of a typical Federal reserve bank whose operations are supposed to be representative of and practically uniform with those of every other.

2. The organization of the office of the Federal reserve agent stationed at each reserve bank, and the duties of such agent.

3. The organization of the Federal Reserve Board.

4. The conduct of business of Federal reserve banks.

5. The relations between Federal reserve banks themselves and between each Federal reserve bank and its member banks.

6. The relations between the Federal reserve system and outside banks.

7. The establishment of branches at home and abroad, and the relations between such branches and the "parent" banks to which they are attached.

It will not be feasible, for reasons of convenience which will later appear, to discuss these topics strictly in the order in which they are here presented, but each of the general discussions thus indicated will be dealt with in the course of the report.

A beginning will be made by outlining the proposed type of organization for a Federal reserve bank. The reasons for the precise form of organization suggested will become apparent as the treatment proceeds.

ORGANIZATION OF BANKS.

In dealing with the actual organization of the proposed banks, two leading questions are presented:

1. The systematic recording of their doings, including full provision for accounting and internal regulation.

2. The officering of the several institutions, and the general relationship between their organization and that of the Federal Reserve Board.

To some extent these two phases of the subject must be treated together, but the principal features of each branch of the question of organization can be independently disposed of. Attention will first be given to the question of the routine conduct of business in the institutions.

In organizing the Federal reserve bank in each of the districts set apart by the organization committee, it will be necessary first of all to determine upon the general type of organization to be employed and to formulate a specific plan of procedure in accordance therewith. The Federal reserve act makes no effort to prescribe the details of organization, but leaves them to be settled by the boards of directors, subject to the general requirements of the methods, and restrictions definitely set forth in the national banking act are to be adhered to.

ADMINISTRATION.

It is believed, however, that so far as practicable, the adoption of a uniform system of organization which shall prevail throughout the whole system of banks as nearly as conditions will permit is much to be preferred to a plan which would allow the banks to adopt a variety of different methods of organization according to circumstances. The points which have been deemed, on the whole, practically essential in connection with the organization are brought out in the latter portions of this report in connection with the treatment of branches, accounting, and other subjects, but at this point it is considered desirable to sketch their main outlines for the sake of clearness by way of introducing the subject. In general, the following requirements must, it is thought, be complied with:

- (a) Each Federal reserve bank should have a distinct executive head not identical with the Federal reserve agent, even in those cases where the reserve

agent has been selected in a manner entirely satisfactory to the banking community, so that stockholders would be quite willing to have the agent act as the executive head of the bank. Of course, this implies that in no case should the president or executive head chosen by the stockholders be designated by the Government as reserve agent. The intent of the act is distinctly opposed to any such fusion of functions, the agent being intended to be a Government representative and spend his time in furthering the interests of the public at large—a position he could hardly preserve were he to become an active operating officer, anxious to increase profits and advance given private interests.

(b) Each Federal reserve bank should be carefully subdivided into departments, each such department representing a definite allotment of business, the divisions being those which correspond with the various types of business set forth by the Federal reserve act.

(c) Each Federal reserve bank should be so organized as to provide for a proper check upon the operations of the member banks and for a suitable oversight on the part of the reserve agent.

(d) Each Federal reserve bank should be subject to specified internal regulations evolved as the result of bank experience, which will conduce to the efficient and economical conduct of its affairs.

(e) Suitable provision shall be made in each bank for the bonding of employees and for an accurate control of their operations.

An organization chart has been prepared for the graphic presentation of this plan and has already been issued.

(Tentative by-laws prepared for submission to the several boards of directors have already been distributed as Circular No. 6 and are consequently omitted at this point.)

INTERNAL REGULATIONS.

Besides the general by-laws as thus set forth, it is believed that the proper conduct of the new banks will call for a code of rules of internal regulations.

Probably one of the greatest initial difficulties in opening the Federal reserve banks will be the securing of a competent staff. The continued efficiency of even a thoroughly competent corps of bank employees depends largely upon the discipline in vogue in the institution. Such discipline requires the application of rules designed to promote morale and proper thoroughness.

These rules should be sufficiently wide in their latitude to insure the primary essentials of coordination. Their structure should be more than a series of prohibitions, and should serve to give the tendency toward that which is desired, even if not categorically expressed.

They should at least be so arranged as:

1. To set forth the time at which employees of various grades should report for duty; to stipulate when the windows shall be closed for business; to designate a maximum lunch period; to provide for temporary absence or leave of absence; to provide for reports of tardiness; and to provide for overtime work.

2. To set forth when the vault shall be opened and closed and upon what authority the vault may be kept open after the time provided; to designate what records shall be kept by the vault officer and what his duties shall be; to stipulate what parties in conjunction shall hold combinations.

3. To require care to be taken of securities in the various departments; to set forth how shipments of securities must be handled; to provide for receipting and recording of securities received and delivered; to set forth under what conditions and under what authority valuables may be deposited and withdrawn from the vault.

4. To set forth certain necessary regulations and restrictions regarding apparel, neatness, and habits; to prescribe mutual courtesy and politeness; to restrict smoking to certain hours.

5. To require neatness of desks, cabinets, and other working furniture; to require care and neatness in records prescribing how records shall be kept and closed.

6. To provide for initialing and signing of all necessary tickets and vouchers, what class of entries certain authorities are empowered to sanction; to provide for signing of checks, receipts, and other papers.

7. To describe the duties and powers of the auditor; to specify to whom the auditor is responsible and to what extent his authority obtains in the matter of accounting and the records; to place final responsibility for all systems and changes on the auditor.

8. To indicate how supplies shall be ordered and how audited; to state upon whose authority expenditures may be incurred; to prescribe when bills shall be paid, who shall receive and distribute supplies; to require that when reorders are necessary old forms shall be submitted to auditor for possible change and correction.

9. To provide who shall code and decode cables and telegrams; to designate an officer who shall hold test words and keys; to prescribe how copies and records shall be kept and telegraph bills checked.

10. To prescribe who shall receive, assort, and distribute mail, who shall be authorized to sign letters; to direct how correspondence files shall be kept and how access thereto may be granted.

11. To provide for the assembling of all reports in the hands of a designated functionary at a certain time.

WORK OF TRANSFER AGENT.

It is further suggested that in case the Federal reserve agent shall be authorized to act as agent for the transfer of stock of the bank to which he is accredited, the following considerations be observed by him, particularly in relation to stock, if any, that may be held by individuals. It is understood that at the outset no such stock will be held by individual stockholders; but a set of regulations designed to cover not only present conditions but those that might arise under the terms of the law has been developed.

1. The salient point in transferring certificates of stock is to ascertain who has authority to assign the certificate and how the authority was granted; whether by special resolution, general resolution, or by the by-laws, in respect to a corporation; whether by will, indenture, or court order, in respect to executors, trustees, administrators, guardians, agents, and the like; or whether by power of attorney.

2. In every case proof of papers submitted shall be first ascertained to the satisfaction of the transfer agent. He shall require that certificates issued in the name of a corporation or an association be indorsed by such officials authorized by a special or general resolution, or the by-laws, and a certified copy thereof attested by the secretary with the seal affixed, filed with the stock certificate. A copy of the resolution shall be accompanied by a notary's certificate certifying that he had inspected the minutes and that the resolution was a true copy thereof.

3. In issuing certificates to trustees, the trust shall be fully described by a reference to the will or indenture under which the trust is created, and the name of beneficiary given, if possible. In transfers from trustees, all trustees shall sign, and transfers must be accompanied by a copy of instruments properly certified showing the authority of the trustees to sell or transfer. Trustees appointed by a court shall exhibit both certified copy of instrument and certified copy of the court appointment. Transfers by administrators shall be accompanied by a copy of appointment certified by the probate court. Transfers by executors or administrators, with the will annexed, shall be accompanied by a copy of the will and copy of the court appointment, both certified by the probate court.

4. In issuing certificates to a minor, the guardian's name shall also be given, as follows: "James Brown (minor), under guardianship of William Jones."

Transfers from a minor shall be made only by a guardian appointed by the court, who shall exhibit a properly certified copy of his appointment.

5. Trustees, executors, administrators, guardians, or agents shall not transfer directly to themselves individually.

6. In transfers executed by an attorney the original power of attorney, certified by a notary, or a copy of same, shall be left on file. Authority to transfer stock shall appear in the instrument, and evidence is required that the signature to the power of attorney is genuine and that the power of attorney is in force at the time of transfer.

7. In issuing a certificate to a married woman, her Christian name and not that of her husband, with "Mrs." prefixed shall be used. In case a new certificate is desired by reason of change of name by marriage of an unmarried woman the old certificate shall be signed as follows: "Mrs. Mary E. Brown (formerly B. Smith)," the new certificate being issued in the name of "Mrs. Mary E. Brown."

8. Signatures on assigned certificates shall be guaranteed or notarially acknowledged.

9. Transfers shall not be made directly from husband to wife or from wife to husband.

10. Certificates issued in the name of an individual shall show their Christian name, as follows: John Smith, Charles A. Jones.

11. Certificates issued in the name of a bank, corporation, or association shall show title and address, as follows:

First National Bank, New York City.

First National Bank, Chicago, Ill.

Farmers National Bank, St. Louis, Mo.

12. Certificates shall not be issued in the name of an estate of a deceased person, but in the name of the representative of the said estate.

13. Certificates in the name of a deceased person shall not be transferred until the filing of papers as aforesaid and the filing with the transfer agent of consent from the comptroller of the State in which deceased resided.

14. All transfers in the name of a deceased person shall be referred to counsel of transfer agent, as each State has different inheritance laws in respect to estates of decedents.

15. The signature of the assignment on the back of stock certificates shall correspond to the name as written on the face of the certificate in every particular without alteration.

16. All notarial acknowledgments shall have affixed a certificate of certification by county clerk or court of notarial authority.

SYSTEM OF ACCOUNTING.

As already noted the system of accounting to be employed by the reserve banks is logically to be considered and dealt with under the head of organization. Inasmuch, however, as the accounting problems of the banks necessarily involve references to features of business management, such as the clearing system of the banks, the duties of Federal reserve agents and others, it has been separately dealt with.

FEDERAL RESERVE AGENTS.

The Federal reserve act provides for the appointment of a new type of official, heretofore unknown to Federal law, to be designated as "Federal reserve agents." With reference to these agents the reserve act provides (sec. 4) as follows:

"Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least two years residents of the districts for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as Federal reserve agent. He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Federal reserve bank, he shall be required to maintain under regulations to be established under the Federal Reserve Board a local office of said board on the premises of the Federal reserve bank. He shall make regular reports to the Federal Reserve Board and shall act as its official representative for the performance of the functions conferred upon it by this act. He shall receive an annual compensation to be fixed by the Federal Reserve Board and paid monthly by the Federal reserve bank to which he is designated."

Elsewhere in the act it is provided that the reserve board shall—

"Make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money, or property of any kind deposited in the hands of such agents. * * *

By section 16 it is provided that—

"Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral in amount equal to the sum in the Federal reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes and bills accepted for discount under the provisions of section 13 of this act, and the Federal reserve agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. * * *

The functions of Federal reserve agents as thus set forth are broad, inasmuch as the agent is made the local representative of the Federal Reserve Board for the performance of the functions intrusted to such board. The agent is therefore able to exercise under the direction of the said board such powers as the board may desire specifically to intrust to him. At the same time the act is exceedingly specific in its directions with reference to the records that are to be maintained by such agent. While experience will undoubtedly in the long run alter and develop any conceptions of the functions of Federal reserve agent which may be employed at the beginning, it is manifestly necessary to develop a set of instructions for Federal reserve agents to be used by them at the inauguration of the reserve banks and to continue in use until such time as experience may demonstrate the necessity of some new method of describing such functions or some extension of them, while it is equally desirable and necessary to describe with care the records which are to be maintained by such agents.

Attention will first be paid to the general duties of the agent himself and to the scope of the functions to be performed by him.

The intent of the act never was that of placing the Federal reserve agent in charge of the Federal reserve bank to which he is accredited or of vesting him with practical banking functions in the direct management of business relationships between the reserve bank and its member banks. Its purpose was to make him a local supervisory factor representing the Federal Reserve Board and ultimately the Government, that is to say, the public, his duties being fundamentally those of controlling the issue of the notes applied for by the reserve banks and of inspecting and supervising banking operations in the district for the purpose of assuring himself, and of being able to assure the reserve board, that the banks, both member and Federal reserve, were complying with the letter and spirit of the law.

In pursuance of this conception of the duties of Federal reserve agents, it will be necessary for the Federal reserve bank to be in possession of detailed information concerning each member bank, as to financial condition, character of management, competency of officers and directors, care exercised in granting and checking credits, custom in extending accommodation to directors and officers, or to corporations which they may own, control, or be interested in, and relations with large borrowers. Safeguards must be adopted to control the use of rediscounting power and to check overexpansion.

In this connection it will be desirable to have detailed records.

It will be necessary for the Federal reserve agent to be familiar with the affairs of the bank and the general business and credit conditions in the district which the bank serves. For this reason, it is both desirable and necessary that a plan be adopted which will give to the Federal reserve agents facilities for obtaining definite, reliable, accurate, and detailed information.

Application for the issue of Federal reserve notes must be made to the reserve agent and must be accompanied by a tender of bills and notes as collateral security. (Sec. 16, par. 2.) It is therefore suggested:

1. That the Federal reserve agent exercise general supervision over credit records and data concerning member banks and borrowers which may be compiled from reports and examinations of member banks and elsewhere.

2. That all statements or reports made to the Federal Reserve Board be prepared under the direction, or bear the countersignature, of the Federal reserve agent.

3. That special examinations of member banks provided for in the act should, when undertaken, be made under general direction of the Federal reserve agent.

We may now proceed to enumerate the chief features of a plan for the management of the business of the Federal reserve agent.

GENERAL PLAN—STATEMENT AND REPORTS.

FEDERAL RESERVE BANKS.

1. There should be adopted a form of general statement or balance sheet which will show on its face the true condition of each bank and give under appropriate headings the assets and liabilities in detail, as well as such supplemental information as will be necessary to give to the Federal Reserve Board an idea of general business and financial conditions in the district which the bank serves.

WEEKLY REPORT.

2. At the close of business Friday of each week a statement showing the general condition of each Federal reserve bank should be forwarded by the agent to the Federal Reserve Board at Washington. Figures should be telegraphed so as to be received at Washington by 9 a. m. Saturday morning.

FEDERAL RESERVE BOARD.

3. A statement showing condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks is to be published once each week. (Sec. 11, Par. A.) It is suggested that publication be made either on Saturday or Monday. This will be more fully discussed in speaking of the board itself.

MEMBER BANKS.

4. For the purpose of ascertaining the general condition of member banks in each Federal reserve district, it is suggested that a weekly report, showing the average condition of each member bank, be made to the head office of each Federal reserve bank at the close of business Friday of each week. The figures should be compiled under the direction of the Federal reserve agent and the summary forwarded by mail or telegraph to the Federal Reserve Board. If deemed advisable, a brief summary of condition of member banks in each Federal reserve district and a combined statement of all member banks should be published not later than Wednesday of following week by the Federal Reserve Board.

RELATIONS WITH BOARD.

5. The Federal reserve agent must each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. (Sec. 16, par. 2.) It is suggested that the Federal reserve agent be also required to forward to the Federal Reserve Board at the close of business Friday of each week a detailed statement giving—

(1) Amount of gold and lawful money deposited with him by the Federal reserve bank to which he is accredited for exchange for outstanding Federal reserve notes. (2) Bills of exchange, notes and drafts held by him as collateral to Federal reserve notes issued to the Federal reserve bank. (3) Record of the total outstanding notes at the beginning of week, notes issued or retired during the week, and liability of Federal reserve bank upon outstanding notes on day of report. (4) A summary to be carried forward from previous report, showing amount of Federal reserve notes received from comptroller, outstanding notes in circulation, notes returned to the comptroller for cancellation or destruction, and notes in hands of Federal reserve agent. (5) List of collateral held by Federal reserve agent, showing the aggregate liability of makers, drawers, indorsers, and acceptors, on bills of exchange, notes, and drafts received from banks, as security for Federal reserve notes issued.

Forms designed to serve for the preparation of these reports and records have been carefully drafted and will be found in the collections of forms accompanying this report. Two distinct sets of forms for the purpose of carrying out the foregoing recommendations have been drafted—one set accompanying the accounting plan presented in Appendix I and numbered as Portfolio III, the other included in that presented in Appendix II and numbered as Portfolio II.

IDENTIFICATION OF NOTES.

In this connection it is also deemed best to make a recommendation that will be of considerable importance in furthering the convenience of the reserve banks in assorting their notes.

Section 16, paragraph 3, of the Federal reserve act provides that—

“Notes * * * shall bear upon their faces a distinctive letter and serial number which shall be assigned by the Federal Reserve Board to each Federal reserve bank.”

In order that a uniform set of numbers may apply to the Federal reserve system throughout, it is recommended that the number which shall appear on the Federal reserve notes as above provided shall be the official number of the

city where the issuing Federal reserve bank is located, according to the system of numbers now used by the banks of the country in numbering checks. The consecutive order of these numbers is based upon population. Letters should also be assigned to the banks to indicate their position in the reserve system, the Arabic numerals being arbitrary so far as that system itself is concerned.

Some of the Federal reserve districts and banks would, under this system, be numbered as follows:

- | | |
|---------------------|-----------------------|
| 1. A, New York. | 4. D, St. Louis. |
| 2. B, Chicago. | 5. E, Boston. |
| 3. C, Philadelphia. | 11. F, San Francisco. |

The use of letters in connection with these numbers makes possible a continuity of designation, so that if additional reserve banks are organized it will not be necessary to change any previous numbers or letters.

The notes should be printed with the letters and numbers in the upper right-hand corner and the lower left-hand corner, and they should be sufficiently distinct to enable tellers and clerks to assort the notes readily by number when preparing them for return to their originating banks.

EXAMINATIONS.

In connection with the sections of the Federal reserve act concerning examinations, suggestion is made as to—

1. Examination of Federal reserve banks and branches.
2. Examination of records and accounts of Federal reserve agents.
3. Examination of affairs of member banks, so as to inform the Federal reserve bank as to the condition of member banks and lines of credit that are being extended. (Sec. 21, par. 3.)
4. Establishment of a credit bureau in each district for collecting and compiling information concerning member banks, and borrowers who are dealing with member banks, or who are selling paper in the open market.

FEDERAL RESERVE BANK.

Section 11 (par. A) authorizes and empowers the Federal Reserve Board to examine at its discretion accounts, books, and affairs of each Federal reserve bank.

Section 21 (par. 5) provides that the Federal Reserve Board shall at least once each year order an examination of each Federal bank, and upon joint application of ten member banks the Federal Reserve Board shall order a special examination and report of condition of any Federal reserve bank.

The law provides for an examination of each Federal reserve bank at least once a year. Each bank should be examined twice yearly. It would be well, if possible, to have all reserve banks examined by a carefully selected corps of bank specialists, who would be instructed to make a thorough and detailed audit of the affairs of each bank, making full report to the Federal Reserve Board and to the board of directors of each Federal reserve bank.

The examination should cover a thorough investigation of investments, re-discounts, collateral loans, and open-market transactions, particular attention to be paid to compliance with the provisions of the Federal reserve act and to rulings of the Federal Reserve Board. Relations with the foreign agents, agencies, banks, and branches of Federal reserve banks should be investigated, and balances and accounts should be verified and reconciled. Accounts of member banks and balances due to or from other Federal reserve banks should be reconciled, as should also all monies on deposit to the credit of the United States Government or of public officials. The foreign department in each bank should be audited. Profit and loss accounts should be carefully analyzed. Thus, the examination should cover a complete audit of the bank and branches. The examiner should consult with the Federal reserve agent and the board of directors, upon the completion of the examination.

Report should also be made as to the competency of management, condition of records, attention given by directors to the affairs of the bank under examination, and attention should be called to any unsafe or unsound condition or tendency that might be apparent in any department of the bank.

The use of a special corps of examiners for examination of Federal reserve banks would have many advantages. The work will call for men combining the qualities of credit specialists, appraisers, and bank accountants. The examiners will become more valuable at each succeeding examination.

EXAMINATION OF RECORDS OF FEDERAL RESERVE AGENT.

The records and accounts of the Federal reserve agent in each Federal reserve district should be examined at least quarterly, and a detailed report made to the Federal Reserve Board by examiners in its employ. The examination should cover a verification (a) of gold and lawful money held by Federal reserve agent, deposited with him by the Federal reserve bank for exchange for outstanding Federal reserve notes; (b) of all bills of exchange, notes, and drafts held as collateral security for Federal reserve notes; (c) records of substitution and withdrawals of collateral; (d) of Federal reserve notes, received from Comptroller of Currency, delivered to Federal reserve banks and in hands of Federal reserve agent; (e) of all other books and records.

In each bank there should be an auditor, who should be under instructions and subject to the direction of the Federal reserve agent.

MEMBER BANK EXAMINATIONS.

Section 21 provides:

"The Comptroller shall appoint examiners who shall examine every member bank at least twice each year, provided, however, that the Federal Reserve Board may authorize examinations by the State authorities to be accepted in the case of State banks or trust companies that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank * * * shall make a full and detailed report of the condition of said bank to the Comptroller of Currency."

Section 21, paragraph 3, provides that—

"In addition to the examination made and conducted by the Comptroller of Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Federal Reserve Board, provide for special examination of member banks within the district. * * * Such examinations shall be so conducted as to inform the Federal reserve bank of the condition of its member banks and of the lines of credit which are being extended by them."

Under the plan suggested, each member bank will forward to the head office of the Federal reserve bank in the district in which the member bank is located a weekly report, showing its average condition for the week.

This information will be recorded in a manner to show changes in condition from week to week. For more detailed information, however, the Federal reserve bank will be dependent upon data obtained in connection with the examination of member banks.

Success in bank examinations depends to a large degree upon the care exercised by the examiner in investigating the lines of credit extended to borrowers by the bank under examination, upon the facilities which the examiner has of obtaining reliable information as to the character and financial responsibility of the officers, directors, and principal borrowers, and finally upon the method used in collecting, compiling, and recording information for use in subsequent examinations.

There should be adopted in each Federal reserve district a uniform plan of examination, which would provide for a thorough and detailed examination of each member bank by a force of competent, well-equipped examiners, authorized to take the necessary time. A high standard of efficiency should be established which would make it attractive and desirable for State banking institutions to join the Federal reserve system. Examinations of city and country institutions should be made equally effective.

To prevent a multiplicity of examinations, the special examination by the Federal reserve bank might be made in connection with the regular examinations made by national or State bank examiners. Certain information should be obtained for use of the Federal reserve bank: (1) A record of all loans over a stated amount. (2) The character of collateral accepted as security. (3) A record of bank stock hypothecated at bank under examination. (4) The classification of loans, investments, and collateral. Suggested form for use in this connection has been developed and will be found in the portfolio of forms accompanying Appendix I.

LOCAL CREDIT BUREAU.

It is believed and recommended that the Federal reserve system should be equipped with very carefully prepared credit-bureau records. Two plans for developing such records have been considered. Under one the records would

be conducted and kept at the several reserve banks; under the other they would be kept in a single office under direction of the Reserve Board in Washington. In either case frequent communication of results must occur between the several banks and the board. A choice between the two plans will depend somewhat upon the system of accounting determined upon. In Appendix I is given a system of accounting more adapted to the establishment of a local credit bureau in each reserve bank, while in Appendix II records are so formulated as to concentrate credit records in Washington as a by-product of the accounting. The credit-bureau principles in general will be the same in either case. (See Portfolios II and III.)

Assuming, for the purpose of the discussion, that in each Federal reserve bank a credit bureau in charge of the agent is to be established, its duty should be the collection and recording of data concerning member banks, and the standing of individuals, firms, and corporations, discounting at or borrowing of member banks, or selling paper in the open market.

This bureau should have card indexes showing—

1. Loan record, compiled from examination reports, showing borrower's loan liability at each bank, with a minimum limit of \$5,000 in city and \$2,500 in country banks.

2. Bank stock hypothecation record, showing bank stock hypothecated at member banks.

3. Inactive collateral record, showing securities of small or close corporations, or securities having a limited or inactive market, whether securities be held as investments or as collateral by member banks.

4. Record of the business, firm, or corporation affiliations of the directors and officers of every member bank in the district.

5. Current record of failures, bankruptcies, and large judgments affecting borrowers of any member bank.

6. Record of character, standing, and financial responsibility of all bankers and note brokers engaged in selling notes, drafts, and bills of exchange in open market.

7. Record of standing and financial responsibility of individuals, firms, and corporations selling notes, drafts, and bills of exchange in open market.

A plan for the exchange of information should be arranged with the credit bureaus established in other Federal reserve districts, and, with the approval of the Comptroller of the Currency, with the credit bureaus established by State banking authorities where a proper system for safeguarding information has been adopted.

Credit bureau data should be available to the Federal reserve agent, the executive officers and directors of Federal reserve banks, and the national bank and Federal reserve bank examiners.

Suggested forms for these records are presented in the portfolios accompanying the appendices, especially in Portfolio III.

The credit bureau will also have the benefit of service of mercantile agencies and will no doubt subscribe to various financial publications.

OTHER CREDIT RECORDS.

It is provided in the general plans of accounting offered herewith that each Federal reserve bank shall keep detailed records showing—

1. The aggregate liability of member banks on paper rediscounted by the Federal reserve bank, as well as the liability of member banks on bills, notes, and drafts purchased from or discounted for others.

2. The aggregate liability of individuals, firms, corporations, banks, bankers, municipalities, etc., on bills, notes, and drafts, rediscounted for member banks, or purchased in the open market.

A similar record should be kept of the liability of concerns upon foreign exchange bills and drafts bought and sold and of foreign bills of exchange purchased for investment.

It will be seen that there is provided a means of ascertaining definitely the aggregate liability of any one firm, individual, or corporation on bills, notes, or drafts held by the reserve bank. Through the credit bureaus there will be facilities for ascertaining the extent of paper held by member banks. If the principal office of a concern is located in another district, a comparison may be made with the credit bureau in that district.

To ascertain the credit standing and financial responsibility of concerns selling their bills of exchange, notes, and drafts in the open market, arrangements may

be made to obtain from the note brokers copies of signed financial statements and copies of auditors' reports. Access to records of credit bureaus of other districts will enable the Federal reserve bank to obtain definite information as to the extent of liability at banks where principal borrowing accounts are maintained. However, as in the case of the credit departments in banks and mercantile houses, all information will have to be systematically recorded, statements carefully analyzed, and comparative statements made.

It will take some years to develop the credit bureau and department, but each Federal reserve bank will have access to many sources of information which are not at present available. Through their commanding positions, the Federal Reserve Board and banks will be able to exercise a close supervision over the commercial paper market, to eliminate many of the abuses which are now apparent, and probably suggest a means of standardizing statements, audits, and reports of borrowing concerns.

The credit bureaus will aid examiners in their investigations and tend to increase the efficiency of all bank examinations if the proper degree of cooperation is established. The bureau will have, after each examination, definite information regarding the credits and condition of the bank. The Federal reserve bank will be vitally interested in all data concerning the standing of each member bank, in order to determine the line of rediscount that may be safely and wisely extended. To prevent inflation and an abuse of the accepting power, there must be continuous vigilance.

The power to restrict or limit the rediscounting privilege will be effective in forcing the elimination of lax methods and unsafe practices; will prevent the gradual accumulation of questionable assets, and will, in effect, require members to conduct business along sound, businesslike lines. The Federal reserve examinations of member banks and examinations by national bank examiners will be a distinct advantage to members and will eventually prove a guaranty of solvency.

If the main work of conducting credit records be carried on under the charge of the agent at each of the reserve banks, as thus suggested, it will still be desirable that there be a centralization or combination of results under direction of the board at Washington through some one of its several divisions which shall transmit the combined information to the other bureaus; while if the information is directly compiled at Washington in the first place a local receiving mechanism will also be needed in each bank.

STATISTICAL BUREAU.

An important part of the work of the Federal Reserve Board will be found in the making of thorough and satisfactory analyses of data relating to bank operations in different parts of the country. These analyses will be necessary both from a scientific and a practical banking standpoint. They should include careful compilations of figures designed to show the actual operations under each section of the reserve act, changes in the outstanding currency circulation, fluctuations in the specie stock of the several reserve banks and of the system as a whole, variations in the conditions of domestic and foreign exchange, and a variety of other items. While it is undoubtedly true that experience in the management of the system will materially modify any plan for the collection of such statistics and for the making of analyses of the kinds already indicated, it will be desirable to start with a complete and thorough basis for classifying the various data collected and for presenting the net results in an easily comprehensible form. Indeed it will be only by this means that the subsequent development of the statistical analyses along lines closely adapted to the peculiarities of the system itself will be practicable. It has therefore been deemed wise to present the outline for a statistical bureau to be organized under the direction of the board at Washington. Such an outline has been prepared under the direction of the committee by Mr. Ludwig Bendix, of New York City, and is presented in Appendix III of this report.

BONDING OF AGENTS.

The Federal reserve act provides in section 11, paragraph 1, that—

“The Federal Reserve Board shall be authorized and empowered * * *

“(1) To require bonds of Federal reserve agents to make regulations for the safeguarding of all collateral bonds, Federal reserve notes, money, or property

of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this act, and make all rules and regulations necessary to enable said board effectively to perform the same."

With reference to the first provision in this section, namely, that authorizing the Federal Reserve Board to "require bonds of Federal reserve agents" (the organization committee being presumed to exercise the same functions as the Federal Reserve Board under section 2 of the act), it is suggested that three questions arise:

1. The amount of the bonds to be given by Federal reserve agents.
2. The nature and form of the bonds to be furnished by them.
3. The question whether such bonds shall be separate and applicable only to the reserve agents or whether a "blanket bond" covering all employees and officers of the Federal reserve bank and including the reserve agent with others should be permitted.

In view of the fact that the Federal reserve agent is distinctly a Government officer, although paid by the bank to which he is accredited, and in view of the fact that his responsibilities are to the Federal Reserve Board primarily, rather than to the bank itself, it is recommended that each and every Federal reserve agent be called upon to give a separate bond for himself and his own staff, and that he be not included in the blanket bond, if any, which may be written for the protection of all other officers and employees of the bank at large. His bond would thus cover merely his own liability and that of the subordinates under him in his own office.

The question of form of bond has formed the subject of careful inquiry, and it is believed that the form employed by the American Bankers' Association, and recommended by them for general use, is the best that can be employed under the circumstances.

With reference to the amount of the bond to be given by Federal reserve agents considerable difference of opinion has been encountered, and, as a result, consultations have been had with the officers of some of the principal bonding companies. As a result of the investigation thus had and the advice furnished it is recommended that the bonds of Federal reserve agents shall not fall below a minimum of \$100,000, and that they shall vary according to the activity and resources of the reserve bank to which each such agent is accredited, probably not exceeding \$250,000 in any case.

DOMESTIC BRANCHES.

The Federal reserve act contains the following provisions (sec. 3) with reference to branch offices:

"Sec. 3. Each Federal reserve bank shall establish branch banks within the Federal reserve district in which it is located and may do so in the district of any Federal reserve bank which may have been suspended. Such branches shall be operated by a board of directors under rules and regulations approved by the Federal Reserve Board. Directors of branch bank shall possess the same qualifications as directors of the Federal reserve banks. Four of said directors shall be selected by the reserve bank and three by the Federal Reserve Board, and they shall hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board. The reserve bank shall designate one of the directors as manager."

It will be observed that this section is expressed in such broad and general terms as to leave in the hands of the Federal Reserve Board and of the organization committee at the outset very large powers with respect to branches. It will be possible practically to prescribe the conditions under which such branches will operate, subject only to the general limitations as to directors laid down in the section as above quoted.

Two methods of dealing with these branches suggest themselves:

1. The establishment of a completely organized banking house acting as a branch of the reserve bank of the district in each place where a branch may have been determined upon.
2. The establishment of a local office only, without banking machinery, and equipped merely with a limited clerical organization at the service of the board of directors appointed as above provided for.

These types of organization may be considered in reverse order.

If it be determined to organize simply a local office, the board of directors of the branch, so called, would necessarily amount to nothing more than a sub-

committee whose functions would be those of ascertaining the character of the paper offered for rediscount by the banks of the community, certifying to its desirability or disapproving it as the case might be, and then transmitting the paper for actual rediscount to the reserve bank of the district. This plan would have the advantage of avoiding the outlay necessitated by the organization of a complete branch and would also eliminate all necessity for establishing a system of accounting in the branch which should fit into the accounting system of the reserve bank of the district. It would also eliminate all question of necessity for a readjustment of the clearing system. On the other hand, the question may be raised whether so simple a type of organization would satisfy the demands of the community in which the branch was located and would supply a sufficient addition to the mechanism of the reserve bank to warrant establishing it. Its function would obviously be only that of a credit committee passing upon particular paper. If this plan should be resorted to, it is suggested that the only records required by the branch would be those relating to offerings of paper.

On the other hand, if a full-fledged bank should be established at each branch point, it is believed that the following questions would have to be definitely considered in connection with the matter:

1. Relation of branch accounting to accounting of district reserve bank.
2. Relation of method of handling checks and transit items to corresponding methods in district bank.
3. Area or territory to be assigned to branch as special or peculiar to it, i. e., extent of subdistrict within which such branch would be located.
4. Internal organization of branch.
5. Capitalization, if any, to be assigned to the branch.

Assuming that branches were to be created on this plan at the outset, it is suggested that in every particular the regulations recommended in this report with respect to the management of a district reserve bank should be applied in the conduct of the branch, in so far as practicable. At certain points, however, it will not be desirable to develop a full-fledged organization in the branch. The question then arises precisely how far the organization should go and at what point reductions or curtailments have to be made.

It is recommended that in the event of the establishment of such branches they be assigned a proportionate capitalization based upon the capitalization and surplus of the member banks included within the territory assigned to the branch. This, however, should be only a tentative matter, and such assignment of resources should be merely to bridge over the period during which it is found from experience about what amount of paper will on the average be presented by the banks in each branch district. When sufficient experience has been had to determine this point the resources to be employed should be distributed among the branches in proportion to the quantity of paper presented on the average by the member bank in each such branch district. It is recommended further that the parent bank of the district shall in every case retain for itself a substantial portion of the district as a territory from which paper shall be directly presented for rediscount. This would mean simply that the branch districts would be established whenever there was a special need for them in a particular part of a district which presented a clear-cut, independent trading area whose territory was an economic unit and whose member banks naturally stood in close relationship to one another. The suggestion also amounts to a rejection of any plan for subdividing a district completely into branch areas while the district reserve bank itself exercised no distinct banking functions except those of oversight. It is believed that this latter plan would not be desirable, but that in every district there should be a strong independent reserve bank organization performing actual banking functions and directly rediscounting the paper of a considerable number of the member banks included within such district.

Whenever a branch is established with a banking house of its own, actual banking machinery, and a board of directors, as provided by the Federal reserve act, it is recommended that it be required to install a system of accounting precisely similar to that prescribed by regulation for the Federal reserve banks themselves, and that it be permitted to vary from the system laid down for such reserve banks only at those points where the maintenance of certain records is rendered unnecessary by reason of the fact that the branch does not perform the functions to which such records relate.

BY-LAWS.

The following suggested outline of by-laws will afford further detailed data concerning the internal organization requiring to be perfected in each branch:

BY-LAWS OF FEDERAL RESERVE BANK OF ———, BRANCH OF FEDERAL RESERVE BANK OF ———, ESTABLISHED BY IT ———, 191—.

ARTICLE I.—*Directors.*

SECTION 1. *Number and quorum.*—The number of directors shall be seven. A majority of the directors shall constitute a quorum.

SEC. 2. *Meetings.*—There shall be a stated meeting of the board every Wednesday at ——— o'clock a. m., or, if that day be a holiday, on the first day preceding not a holiday.

The chairman of the board shall be empowered to call a special meeting at any time, or upon the written request of any two directors, or whenever requested, to so do by the manager or by the Federal reserve bank of the district.

SEC. 3. *Powers.*—The board of directors shall annually submit for approval to the parent bank a schedule of compensation and duties of officers, clerks, and employees of the branch.

SEC. 4. *Order of business.*—The following shall be the order of business at each meeting of the board:

- (1) Reading or inspection of minutes of the last regular meeting.
- (2) Report of the manager, including information concerning banking and business conditions in the district, as well as detailed summary of all business transacted since last regular meeting and statement of present condition, the latter to include:
 - (a) Statement of all loans, rediscounts, investments, and purchases.
 - (b) All official correspondence received from the parent bank.
 - (3) Committee reports.
 - (4) Unfinished business.
 - (5) Approval of report and recommendations to parent bank (duplicate to be sent to Federal Reserve Board).
 - (6) New business.

ARTICLE II.—*Discount committee.*

SECTION 1. *How constituted.*—There shall be a discount committee consisting of the manager, the chairman of the board, and one director of the class appointed by the parent bank. Such director shall be elected by the board to serve for a period not to exceed one month, and his successors shall be chosen in rotation until each member of his class shall have served or shall have been given an opportunity to serve. The board shall elect each month an alternate for service on the discount committee, who shall be authorized to act in the absence or disability of the member first chosen.

SEC. 2. *Minutes.*—The discount committee shall cause to be kept minutes of all meetings held by it, which shall be read and approved by members of the board at the next succeeding meeting. A copy of such minutes shall be promptly sent to the parent bank.

SEC. 3. *Powers.*—Subject to the rules and regulations of the board of directors of the parent bank, the discount committee shall be vested with the following powers:

- (1) To pass upon all commercial paper submitted for discount.
- (2) To suggest open-market transactions to the parent bank.
- (3) To apply through the Federal reserve bank of the district for such Federal reserve notes as may be necessary for the general requirements of the branch.

ARTICLE III.—*Officers.*

SECTION 1. The officers to be chosen by the board of directors shall be a manager, who shall be one of their number, a vice manager,¹ and such other officers as the board may from time to time deem necessary. They shall hold office during the pleasure of the board.

¹ The number of vice managers will depend upon the size of the branch and the character of its work.

Sec. 2. Chairman.—The chairman of the board shall be chosen by the Federal Reserve Board from the directors appointed by said board. He shall preside at all meetings of the board. He shall, together with the officers of the bank, have supervision of all credit records and data concerning member banks and borrowers which may be compiled from reports and examinations of such banks. All reports and statements made to the parent bank shall be prepared under the general direction of the chairman and copies thereof shall be sent directly to the Federal Reserve Board.

Sec. 3. Vice chairman.—In the absence or disability of the chairman, his powers shall be exercised and his duties performed by the vice chairman, who shall be designated by the chairman, or in default of such designation, by the manager, from the directors appointed by the Federal Reserve Board.

Sec. 4. Manager.—The manager shall have general charge of the branch and shall preside at all meetings of the discount committee, subject, however, to such rules and regulations as may be incorporated herein or from time to time promulgated by the board of directors of the branch or of the parent bank.

In all cases where the duties of subordinate officers and agents of the branch are not specifically prescribed by the by-laws or by the board of directors of the branch or the parent bank, they shall be the duties specified by and instructions of the manager. The manager may, with or without the advice of the board of the branch, suspend or remove any employee of the branch, subject, however, to a hearing before said board.

Sec. 5. The vice manager.—In case of the absence or disability of the manager, his powers shall be exercised and his duties discharged by the vice manager. In the absence or disability of both, the board of directors shall, by a majority vote of the directors present, appoint a director manager pro tem.

The vice manager shall have charge of all moneys received and paid out on account of the branch and shall examine and countersign all checks for the payment of money signed by the manager. He shall, jointly with the manager, have custody of all investments and collateral held by the branch. He shall keep the minutes of all board meetings and of all committees of the board.

In case of the absence or disability of the vice manager, or whenever occasion may require it, the manager shall appoint such director or employee of the branch as he may deem proper vice manager pro tem.

ARTICLE IV.—*Information.*

SECTION 1. All persons employed by the branch shall keep inviolate its business affairs and concerns, and shall not disclose or divulge the same to any unauthorized person whomsoever. Any employee who shall give information contrary to this by-law shall be liable to immediate dismissal.

Sec. 2. The action or policy of the board shall not be expressed by any individual member, but by its duly constituted officers after formal action by the whole board and under rules and regulations prescribed by the parent bank.

Sec. 3. For the information of member banks and the public, there shall be maintained in the office of the manager a bulletin board, upon which shall appear the current rates of discount established by the parent bank and such other information as it may deem necessary to publish.

FOREIGN BRANCHES.

The power to establish foreign branches is broadly conveyed in the Federal reserve act, which includes authority covering not only the creation of such branches, but also the establishment of agencies, the appointment of correspondents, etc. The question, however, whether or not to create such branches rests upon a somewhat different basis from that which relates to the establishment of domestic branches.

With reference to operations in foreign countries it is to be expected that as a reserve system develops these operations will become extensive and important. They should be fully provided for by a plan which will assure absolute efficiency in the handling of the functions of reserve banks abroad. That at the start it may be desirable to await the definite organization of the reserve institutions is quite probable, but before many months the management of the business abroad must be seriously taken in hand. Inasmuch as the approval of the Federal Reserve Board is requisite to the establishment of foreign branches, it is evident that the board will have full authority in the matter.

The first point which it is believed calls for careful consideration is the number of branches of reserve banks which shall be independent of one another. Plainly the provisions of the law are such that if the reserve board

should approve of such a course each and every one of the several reserve banks might establish independent branches in foreign centers. The conceivable result of such action would be the establishment of a number of branches, one to each reserve bank, equal to the number of reserve banks, in every important foreign center. This, it is believed, would be unwise. From the standpoint of the foreigner the reserve system should be organized as a unit, while in controlling the flow of specie to and from the United States it should act as a unit with a single and uniform policy and without competition within itself. These requirements should be fulfilled best, it is believed, by requiring the reserve banks to join in designating a common agent or to join in creating a joint branch at each foreign center where it is believed that such representation is needful or desired. If it should appear that some of the reserve banks do not care to have such representation abroad, their cooperation could be waived, the whole matter being placed upon a voluntary basis. But if they find that they want such representation, then they should be required to cooperate in establishing and bearing the expenses of the branch existing at the point where the representation is desired. This naturally necessitates a plan of dividing the expenses of the branches or agencies abroad between the Federal reserve banks. It is recommended that the following plan shall be in substance followed:

1. Whenever a Federal reserve bank desires to establish a branch or agency in a foreign country it shall make application to the Federal Reserve Board for permission to do so, and in case such permission is granted it shall be allowed to establish the branch or agency under conditions of organization conforming to the principles laid down in the general provisions that may be adopted with regard to branches.

2. If any other reserve bank should subsequently desire to secure representation in the same place at which such branch or agency may already exist it shall be required to select the same agent, or if a branch has actually been established it shall be permitted to join in the operation of the branch, bearing a share of the expense dependent upon the percentage of total operations undertaken for its account as compared with the aggregate operations of the branch.

3. The personnel of the branch organization shall continue as first established by the reserve bank which created the branch, but as places fall vacant they shall be filled upon the nomination of the reserve bank subsequently joining in the operation of the branch in a proportion corresponding to its payment of expenses.

4. Should other reserve banks desire to join in the operations of the branch they may do so upon a basis of division of expenses based upon the principles already laid down above.

5. Should the Federal reserve banks subsequently desiring representation (after the establishment of the branch by one such bank) prefer to have the branch already existing act as agent for them they may do so, and in that event the reserve bank or banks actually cooperating in the conduct of the branch shall charge for their services a sum to be determined at the end of each half year and dependent upon the proportion borne by the operations of the bank or banks designating the branch as agent, to the total operations of such branch.

6. Whenever a foreign branch is organized a specified sum shall be assigned to it as a basis for its operations, such sum to be determined in each and every case by consultation between the Reserve Board, or the organization committee, if the task is undertaken while the system is in its initial stages. Other reserve banks which subsequently participate in the operation of the branch shall assign to it a sum of working capital to be determined in the same way.

7. In the event that several reserve banks desire at the outset to join in the establishment of a branch at a designated foreign center, the total working capital to be set apart will be determined as above indicated and shall be divided among the several reserve banks in proportion to their capitalization.

8. The accounting records of each such foreign branch shall be the same as those prescribed for domestic branches, except that the reserve banks participating in the operation of the branch shall be regarded as joint partners.

RELATIONS BETWEEN BANKS.

In discussing the relations between members of the Federal reserve system, attention must be devoted to three phases of the question:

1. Relations between the Federal reserve banks themselves.
2. Relations between member banks in each district and member banks in different districts.

3. Relations between member banks and their own Federal reserve banks.

In surveying these distinct elements of the problem, it is deemed best to consider first of all a matter which involves portions of the question referred to under the first head above and of that referred to under the third head. This is the clearing of checks. It is believed that the most important problem involving these relations between the banks in normal times will be that of clearing the items drawn upon the reserve banks by their member banks and those drawn upon the individual member banks by their depositors. If this clearing process is satisfactorily and effectively carried out, it will profoundly modify the relationships now existing between banks and will have an important influence in reshaping the operations of present clearing houses, transforming ultimately the functions of these clearing houses and changing the degree of their significance from the standpoint both of their members and of outside institutions.

CLEARING SYSTEM.

The provisions of the Federal reserve act with respect to the introduction of a system of clearings are found in section 16, where it is provided that—

"Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal reserve bank shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

"The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and, may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

It is evident that this provision distinctly contemplates two classes of work:

(a) A clearing system providing for the clearing of items among member banks which are stockholders and depositors in any Federal reserve bank.

(b) A clearing system which shall provide for clearing the transactions of Federal reserve banks among themselves.

It is strongly believed and recommended that a complete and thorough clearing system shall be inaugurated by every Federal reserve bank at the earliest possible moment consistent with success. This system should further be continued and extended as rapidly as is reasonably possible until it extends to all classes of operations and provides for the clearing of items drawn on both member and nonmember banks. The facilities of the reserve banks should be used both locally and for out-of-town checks in the broadest possible sense and under conditions which will place the member banks upon a satisfactory basis of competition with nonmembers while giving to the customers of member banks the advantage of a system of par collection wherever possible and of collection at cost wherever charge must be made. Undoubtedly experience will show some necessary changes both of method and of rates of charge from the plan herewith recommended, but it is believed that the basis of a satisfactory system is herewith afforded and that no material alterations will be subsequently necessary. Having in mind the fact that the banks can not perform their full functions in this respect at the very outset, it is, however, recommended that they start only with a partial system of clearings, subsequently extending this as they become able to do so.

An analysis of the law shows that it is the intent to readjust the domestic exchange machinery of the present banking system to conform with practices and regulations that the experience of clearing houses have demonstrated to be the most efficient. Therefore, in drawing up forms and regulations to govern the operations of the Federal reserve banks, the policy should be to adopt so far as possible clearing-house principles as a model. Wherever, in the plan to be proposed, it may seem at first glance that a proposed method of procedure is not specifically authorized in the bill, the warrant for such

proposition is contained in the phrase "functions of a clearing house," and nothing herein suggested will be found to do violence either to clearing-house principles or practices.

It is one of the primary functions of banking and the purpose of all clearing houses to make full use of the "clearing principle," which is the offsetting of debits with credits, to effect settlements by book transfers, and to use such credit instruments as checks and drafts, thus reducing to a minimum the handling of actual currency. The primary object of the plan here presented is to use the machinery of the Federal reserve system to make the enormous domestic exchange business of the country clear itself, the balances of the entire nation being finally focused and cleared by a simple operation on the books of the Federal reserve clearing house.

Each Federal reserve bank should be governed by uniform regulations with respect to domestic exchange functions, since each such bank is a part of the whole system of clearing. These regulations apply to forms, advices, accounting systems, and organization of departments, and conform to the rules applied by all well-conducted clearing-house associations. They will be grouped for convenience of treatment into three divisions:

- (1) The relations between the Federal reserve banks and the member banks in the same city.
- (2) The relations between the Federal reserve banks and their members outside the city.
- (3) The relations between the Federal reserve banks themselves.

RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS IN THE SAME CITY.

The Federal reserve banks may, if thought best, cooperate with the other banks of cities where they may be located, first, by joining the local clearing house, and, second, by providing a means of settlement of clearing-house balances through book transfers.

Several points are open to discussion in connection with plans or regulations governing the relations between the Federal reserve banks and their members located in the same city. The logical development of the reserve banks will ultimately result in their assuming the functions of a clearing house, but in view of the policy not to interfere unnecessarily with present practices and also on account of the fact that nearly all clearing houses are composed partly of nonmember banks, it is recommended that the Federal reserve banks shall not accept local member checks on deposit, provided such checks are payable through the clearing house, until such time as it will be possible for the bank to assume all the functions of the local clearing house.

The Federal reserve banks will present checks on outside member banks and outlying local member banks through the mails, but it would be more economical and convenient to present city member checks through the clearing house. A question here arises as to whether the Federal reserve banks should be members "both sides," that is, receiving, as well as presenting, checks at the clearing house. Were the existence of clearing houses where the Federal reserve banks are located to be considered permanent, or were all the members of the clearing house certain to be members of the system, then it would seem wise to recommend that the reserve banks should "out-clear" only, but, the facts being otherwise, local members should be permitted either to deposit drafts on the Federal reserve banks or to present them through the clearing house. As to the deposits of member checks by local banks, it is recommended that a time limit be set by each Federal reserve bank, say at 2 p. m., after which no items of less than \$1,000 of any kind would be accepted on deposit. This rule will be found necessary to prevent the clogging of the internal machinery of the banks, which would delay the outgoing mail. Experience in large city banks has demonstrated that it is much easier to handle large volumes of checks if they come in early in the day, because a given number of checks can be handled with much less labor and chance of error if received within a fixed time limit than the same number of items can be handled when spread over a longer period. The bulk of all checks received by business men come by morning mails, and the individual depositors in member banks can be gradually educated to make their deposits early.

The settlement of balances resulting from clearing-house exchanges must be adjusted to conform with the fact that all members of clearing houses will not be members of the Federal reserve system. Settlement may be effected by one of the following methods:

1. Debtor banks will give their drafts on the Federal reserve banks to the manager of the clearing house, nonmember debtor banks paying to the manager funds acceptable for deposit with the reserve banks. The manager of the clearing house would then deposit the drafts with the reserve bank. The reserve bank would credit such deposits to a "clearing account," which would be subject to the manager's check in favor of creditor banks. The rule should be laid down that drafts on the Federal reserve bank given to member creditor banks should be deposited and not cleared through the next exchange.

2. Assuming that all clearing-house banks are members of the system, the manager of the clearing house will present to the Federal reserve agent a memorandum showing debtor and creditor balances, which may then be settled by a transfer on the books of the Federal reserve bank.

If it should occur in any city that all the banks are members only of the clearing house and of the Federal reserve system, and the clearing house be continued, it would be practicable to have the Federal reserve bank "outclear" only.

The relationship, therefore, between the Federal reserve banks and members in the same city may be said to be a local problem which may be adjusted along the broad lines here suggested without in anyway interfering with the policy of uniformity in the essential features of regulation affecting the clearing functions of reserve banks.

In general matters the regulations covering the accounts of member banks will apply to city members as well as country members.

THE RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS OUTSIDE THE CITY.

The deposit section of the Federal reserve act provides that—

"Any Federal reserve bank may receive from any of its member banks and from the United States deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent member banks payable upon presentation. * * *"

Under this provision the following elements of the deposit process will be as follows:

1. Lawful money, national-bank notes, and Federal reserve notes are to be deposited as such deposits are now made in banks—that is, using a regular deposit slip bearing the name and number of the member bank and the items to be separated as to kind of money deposited. No checks are to be enclosed with deposits of money.

2. In receiving checks on deposit the Federal reserve banks assume a service for their members which, unless it is properly controlled and regulated, will result in a serious burden and will tax the resources of the reserve banks to the utmost. Care must be taken that the work be reduced to a minimum and that the member banks relieve the reserve banks as far as is practicable.

3. A uniform letter of remittance or deposit should be used throughout. Member banks will divide the items deposited into those payable by the Federal reserve banks and those payable by other banks in the city where the reserve bank is located. These items may be placed on one sheet or letter in separate totals. A different sheet or letter must be used for each State within the region or district, and as the number of members increases such States may be redivided in accordance with the regulations of each reserve bank.

4. Items payable in other Federal reserve districts will be separated into two totals, "inside" and "outside," and the outside items will be grouped as to States, although a single total will be accepted, and such "outside" items may be placed on a single remittance sheet.

5. With each deposit of checks from member banks there is to be inclosed a summary sheet giving the total of each separate sheet or division, with a grand total or footing.

6. Opposite each item in the entire deposit the member bank should designate the place payable, preferably by number. Special instructions, such as "no protest," "wire nonpayment," etc., should be covered by an official tag or slip, which is to be securely fastened to the item, and no confirmation of such instructions shall be required to be written on the letter. A distinctive mark or symbol should also be stamped upon each such check.

7. Each item deposited shall be indorsed by the member bank with a rubber stamp which shall bear the name of the Federal reserve bank through which

the items are cleared, the date received by the Federal reserve bank, and the name and number of the member bank. This stamp, when used by the member bank, shall be considered to guarantee all previous indorsements and shall read as follows:

Cleared through
The Federal Reserve Bank of N. Y.
August 1, 1914.
First National Bank,
50-36 Syracuse, N. Y. 50-36

8. All items deposited by member banks with Federal reserve banks should become "reserve" only after they have been collected—that is, placed in the possession of the paying bank, and thus chargeable to the account of the drawer. They may be charged by member banks into the general ledger item "Due from Federal Reserve Bank of ———" the day they are mailed, but a memorandum account should be carried by the member bank, in which this item is to be divided into "transit account" and "reserve account." Each member bank shall be furnished a time schedule and in connection therewith shall operate a book which may be designated the "Reserve maturity tickler." In accordance with the time schedule, the member banks will post the detail amounts according to the divisions mentioned under the dates when such checks may be credited to "transit a/c" and charged to "reserve a/c." These dates in every case will be based on the receipt of the items at the place of payment.

An alternative plan differing in theory as applied to reserves, but more practical and simple in operation, may be considered as follows: The Federal reserve banks will charge member checks against the balance of such members upon the day forwarded. This would reduce the amount of bookkeeping necessary and would simplify the time schedule by more than one-half. On the other hand, member banks would be apt to object to having their reserves thus depleted without their knowledge. This objection could be met by a concession which would further reduce the accounting—that is, by allowing member banks to use all checks on members of the same district as reserve the day forwarded to the Federal reserve bank, as is now permitted in making remittances to reserve agents.

It is desirable that drafts on Federal reserve banks should be acceptable without question in all districts. It may be suggested, therefore, that such drafts be deposited in a separate total, together with drafts payable by the reserve bank where deposited, to be counted as reserve by the member bank once, or if the alternative plan outlined in the preceding paragraph is adopted, drafts on all Federal reserve banks could be included in the totals of checks on other members of the same district.

The Federal reserve bank will credit the account of the member banks on day of receipt of the items, such account to be subject to draft. The reserve bank in turn will use a time schedule corresponding to the one used by member banks, and similarly the reserve bank will charge transit account, crediting such account and charging other reserve banks as hereafter provided. If any member bank should draw below its collected funds, such drafts should be subject to a charge based upon, but higher than, the current discount rate of interest.

In section 19 the act provides that member banks may check against their reserve balances with reserve banks "subject to such penalties as may be prescribed by the Federal Reserve Board," but it would be better banking to induce them to restore their reserves through rediscounts.

The Federal reserve banks will receive items on deposit until 2 p. m. each day. After 2 p. m. and until 3 p. m. items of \$1,000 and over only, and after 3 p. m. until 3.30 p. m. items over \$10,000 only, after which all items received will be held over until the following day and the member bank so notified.

The time of day and amounts here specified need not be uniform for each reserve bank, but should be regulated by each such bank in accordance with local customs and geographical position with respect to transportation and mail facilities.

At the close of the day's business all checks on member banks will be forwarded to the member banks, the letter bearing opposite each amount the indorsement record of the depositing bank. These remittances will be charged by the reserve banks in "transit account." On the following day, or the day of receipt by the member banks, the accounts of the member banks will be charged and "transit account" will be credited.

Attached to each letter from the reserve bank will be a perforated slip bearing the total of the inclosure, to be used as an acknowledgment of receipt. The slip will read:

"We credit you \$—— checks on this bank received to-day.

"(Signed) _____, Cashier."

If items are unpaid they are to be returned direct by the member upon whom drawn to the member making the deposit with the Federal reserve bank first receiving them, and upon receipt of advice the Federal reserve bank will credit the member bank the amounts of such checks returned direct and charge the accounts of members to whom the items have been returned. If such unpaid items have been received by the reserve banks from other reserve banks they will be returned direct in the same way and adjustment made between the reserve banks as hereafter provided. Unpaid items which have been deposited by the United States Government or any of its agents will, however, be returned in every case to the reserve banks by the member banks.

Member banks should be encouraged to make use of the Federal reserve banks to effect settlement with one another through book transfers. The reserve banks should perform such service as between its own members at par, since it avoids the use of drafts, and also does not reduce the loanable funds of the reserve bank. Transfer of funds by members for the credit of members of other districts may also be easily arranged, and the charges therefor will be discussed under a separate heading in this report.

Reserve banks will also send to member banks for collection notes, acceptances, and such paper as is usually classified as "time items," representing the matured loans and discounts of the Federal reserve banks, such items, if unpaid, to be returned by member banks to the Federal reserve bank owner, with proper advices.

At the close of each day's business the Federal reserve banks will mail a statement of the day's transactions to each member bank other than which no acknowledgment of receipt of items, etc., will be required. At regular intervals the balance shown by such statement as of a certain day will be reconciled by the member bank and a report made to the reserve bank.

RELATIONS BETWEEN THE FEDERAL RESERVE BANKS.

"* * * or solely for exchange purposes (any Federal reserve bank), may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks and drafts upon solvent member or other Federal reserve banks, payable upon presentation.

"Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank."

As between the reserve banks, there will be five different kinds of transactions. (1) The exchange of checks for collection payable in their respective districts, and also the exchange of checks and drafts on one another. (2) The transfer of funds deposited by the member of one bank to the credit of a member of another bank. (3) The deposit of Federal reserve notes for redemption or credit as provided in the act —

"Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank, they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued."

(4) The deposit of other funds, such as national-bank notes or lawful money which the Federal reserve banks are permitted to deposit with one another for exchange purposes. Such shipments should be subject to the request of the Federal reserve bank receiving the deposit. (5) The collection of notes, drafts, and acceptances for rediscount, as provided in section 13, which may be payable in a district other than where rediscounted.

Checks remitted by one Federal reserve bank to another should be divided as to inside and outside items, the outside items being further divided as to States, or such other division as has been provided for the member banks depositing with Federal reserve banks. They need not be indorsed by the Federal reserve bank remitting or by the reserve bank receiving them.

Each Federal reserve bank will carry a single account with every other reserve bank. Using the time schedule mentioned previously, charges and credits of check remittances will be made simultaneously.

Remittances of Federal reserve notes will not be charged in transit account, but will be carried in the general ledger item, "Notes of other Federal reserve banks," until the date of receipt by the bank to whom sent. Remittances of lawful money, national-bank notes, etc., to be sent only upon request, will be charged to the reserve bank to whom sent on the date of shipment, and will be carried as an asset of such bank among its other cash items.

Time items will be forwarded a sufficient time before maturity and will be charged and credited on date due.

Transfers for member banks, if made by mail, should be charged and credited on day of receipt of notice. If made by wire the entries should be made on day of such advice. No such transfers should be made by wire or mail after 3 p. m., and in the event of differences of time between banks the time used by the bank that is the farthest east should govern.

The original figures of every transaction of whatever nature between Federal reserve banks should be considered to be correct, and the original entries should not be changed by either the bank charging or the bank crediting. Allowances for errors, returned items, etc., and all changes in the account between any two banks should be adjusted by mail. The accounts between any two Federal reserve banks will thus automatically reconcile, provided there has been no delay in the mails. To provide against such a contingency, it is proposed that if any reserve bank fails to receive the regular daily letter from any other reserve bank by 2 p. m. a telegraphic advice be sent to the forwarding bank, which would then defer the usual charge until the following day.

FEDERAL RESERVE CLEARING HOUSE.

To settle the balances between reserve banks growing out of these various transactions, a clearing house is suggested, as provided in the act in the clause which specifies that "The Federal Reserve Board * * * may at its discretion exercise the functions of a clearing house for such Federal reserve banks or may designate a Federal reserve bank to exercise such functions. * * *"

If one of the Federal reserve banks should be chosen as a clearing house, for convenience of location it might be the Chicago bank; but this function of clearing would be better assumed by the Federal Reserve Board. For many reasons it would be well to establish the clearing house at the National Capital. Since each reserve bank will carry a single account with every other reserve bank, subject to simultaneous debit and credit, the bulk of the interchange of business will clear itself. Balances will arise partly on account of the seasonal changes which will alter the debit and credit relationship between the districts and partly on account of the fact that membership in the system will not be proportionately equal as between national and State banks in different regions.

The plan herewith proposed is based upon the requirement that each Federal reserve bank deposit with the Federal Reserve Board clearing house all of its gold beyond that which will be sufficient to take care of local needs. This gold deposit, carried on the books of each reserve bank in a separate item as a part of its reserve funds, can be used in either of two ways or in a combination of them to effect settlement which will be explained later. Settlement need not be made between reserve banks oftener than weekly, since to require daily settlement might prevent the operation of the natural clearing effected by the interchange of ordinary business transactions. Therefore at the close of business on each Thursday each reserve bank should wire the clearing house the amount of the balance and should state whether debit or credit relations exist between it and other reserve banks. Allowing one day, Friday, for adjustment of any differences in the advices received, the clearing would be effected on Saturday. How this shall be done depends upon a consideration of the following possibilities:

The gold deposited with the clearing house may be credited upon a simple set of books to each bank so depositing. Clearing would then be effected by a charge and credit on the books and advice would be made to the reserve banks. This is the simple plan, but it has one apparent disadvantage in that the banks would have no tangible evidence of the ownership of the gold other than a book credit. Consideration might, therefore, be given a plan of issuing certificates

in large denominations against the proposed gold deposits as clearing house currency certificates are now issued. Upon the direction of the Federal clearing house, the debtor reserve banks would mail these certificates to the creditor banks to pay balances. These two plans might be combined so that, although the clearing of balances would be effected by book transfers of gold at the Federal clearing house, the debtor banks could anticipate this settlement by mailing certificates to creditor banks prior to the day of settlement. Both these plans, however, seem less effective and more cumbersome than the first plan. Very little (if any) gold would ever need to be transferred between the reserve banks, and such operations would be limited to transactions between the banks and the clearing house. The banks, in turn, would be able to loan or borrow, buy, or sell gold in dealing with each other, and the transactions would be arranged through book transfers at Washington.

It is recommended that the official who may act for the Federal Reserve Board as supervisor of the clearing functions of the system act also as the manager of the Federal reserve clearing house and bear the same relation to the reserve banks that the manager of any clearing house does to the members of a city clearing house. In addition to the supervision and control over the entire machinery of domestic exchange, he should provide for its development along lines hereafter suggested.

CHARGES FOR COLLECTION.

The Federal reserve act provides in section 16 that—

"The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

"The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches. * * *

It must be borne in mind that the banking power of the United States will divide more sharply than it has ever done before into two groups—members and nonmembers. It is the intent of the act itself to bring nonmembers into the system. But so long as there is any considerable body of nonmember banks, the two groups will of necessity be in competition with one another, producing two parallel clearing systems. The organization of the domestic exchange machinery of the new system thus takes on a double aspect. On the one hand, Federal reserve banks and their members must be prepared to meet a competition on the part of nonmembers; but, on the other hand, the domestic exchange business of the Federal reserve system must be so arranged as to offer constant inducements to nonmembers to enter the system. At the same time members must find it more profitable to use the Federal reserve system than to make collections as at present. The situation is more complex when it is taken into consideration that member banks are in a position to deal on favorable terms either with the Federal reserve banks and their members or with nonmembers.

All charges contemplated in the act should be based on actual costs, and it should not be the policy of the Federal Reserve Board, nor of the reserve banks, to assess these charges against member banks upon a basis that would yield a profit. All costs should be placed against members for whom service is rendered as hereafter provided. The costs would include overhead charges, clerical hire, including that of department management, stationery, postage, and equipment depreciation. In addition, all similar expense incidental to the maintenance and operation of the Federal clearing house will be assessed against the reserve banks, which charge will, in turn, be added by each reserve bank as a part of its clearing expense.

It should be the duty of the compilation department of each reserve bank to keep an accurate monthly record of the costs herein mentioned incidental to the clearing of all checks. A record of the amount and number of checks and drafts charged against the account of each member should be kept by each reserve bank, and an additional record of the amount of the items payable in other districts deposited for credit and clearing by member banks. The total monthly cost should then be divided between these two amounts in proper proportion, the number of items making up the amount payable outside the district being estimated upon the basis of the figures of the number of checks divided into the total amount charged against members' balances. The cost of

handling checks charged against members' balances should then be charged monthly to the accounts of such members, and should be based one-half per hundred of items and one-half per thousand dollars. The cost of handling checks on other districts should be similarly prorated and charged against members depositing such checks.

Each reserve bank should be required to send a monthly statement to the Federal reserve clearing house, showing total amount that has been charged against it by all other reserve banks during the previous month. The clearing house would then assess the costs of operation upon reserve banks in proportion to such amounts. Each reserve bank should calculate the proportion of this clearing-house cost chargeable to check and transfer-for-members debits, and this cost should then be apportioned and charged to members per thousand dollars of checks charged to their accounts or transfers made for them. Similarly the proportion of the cost of shipping gold to the clearing house chargeable to check and member transfer debits should be added by each reserve bank to the clearing-house cost which is to be charged to members. Except for the charge for telegraphing when such transfers are requested, there should be no further charge against members for the transfer of funds. Accounts of the United States Government or any of its disbursing agents should be subject to the same basis and method of clearing charges as applied to member banks.

In addition to the charges above provided, a scale of fines should be arranged applicable to members making errors in their deposits. The purpose of such fines is to place the cost of locating errors against the member making the error, and the income, if any, derived from this source should be deducted from the total operating cost. The scale should cover the following:

Error in listing or addition.....	\$1. 00
Error in recapitulation sheet.....	1. 00
Items missorted, including items not receivable, each.....	. 50
Checks listed but not inclosed, or inclosed but not listed, each.....	2. 00
Items not indorsed, each.....	. 50

CHARGES BY MEMBER BANKS.

The policy of limiting charges by member banks against their patrons to actual expenses incurred is clearly indicated in the bill. Therefore the rate which the Federal Reserve Board is to fix for the member banks to charge for their patron's checks which are cleared through the reserve banks should be based on the costs as outlined and hereinbefore provided. Checks payable outside the district may be made subject to a charge by the member banks against the indorsers.

Checks drawn by depositors and charged against the member banks' accounts by the reserve banks may be made subject to a charge against the makers of the checks. In each case the Federal Reserve Board should base the rate on charges made by the reserve banks, both for district and other items, and an additional amount to cover a similar cost entailed by the member bank as to overhead charges, stationery, etc. This rate, which may be made dependent on the amount of the checks only, shall be considered to be the maximum rate which the member bank may be permitted to charge under the act, but it is recommended that the words in section 16, page 19, line 46, "to be collected," be, by rule, construed to mean "may be collected." Otherwise depositors in member banks would withdraw their deposits and place them with nonmembers not required to make such charges.

Charges should be made by the reserve banks against member banks as near as possible to the 1st of each month covering the costs of the preceding month. The charges that are to be made by member banks against their patrons should be based, as provided, on the original costs; but they should be at rates fixed annually to cover such charges with sufficient margin only to allow for slight monthly variations. Every member bank should be permitted to make its own charges against depositors who draw against uncollected funds, or against non-depositors for cashing or collecting checks and drafts. Charges provided in the act should not be construed to cover notes, sight drafts, coupons, or other paper commonly known as "collections," but should cover checks and bank drafts only.

OTHER RULES AND REGULATIONS.

One provision in the Federal reserve act specifies that—
 "The Federal reserve bank * * * shall have power—
 "Third. To make contracts.

"Sixth. To prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

"Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this act."

In accordance with these powers, it is recommended that as soon as the recommendations herein contained, or similar recommendations, have been officially adopted by the Federal Reserve Board, each Federal reserve bank shall send to each member bank a printed agreement which each member shall sign by its president and cashier. This agreement (subject to change in the details of the clearing plan finally adopted) should be somewhat as follows:

"In order that the provisions of the Federal reserve act affecting the deposit of funds by member banks, the collection and clearing of checks and drafts, and the fixing of charges therefor may be efficiently and economically administered, the ——— National Bank, member of the reserve bank of ———, herewith agrees to be bound by the following rules:

"1. All items shall be deposited on such forms and in such manner as shall be prescribed by the Federal reserve bank, and failure to do so, or any errors made in such deposits, shall subject the member bank to a reasonable fine.

"2. Members agree not to deposit with the Federal reserve bank checks on other member banks within 25 miles of such member bank, except where specifically permitted by the reserve bank, or except that this rule shall not be construed to apply to members which are within 25 miles of the reserve bank. Members situated in the same city with the reserve bank shall not deposit checks and drafts on other member banks in that city, unless such members are not members of the clearing house. (This rule is inserted as a result of the belief that it will be found expedient to give to the reserve bank the power to refuse to accept such items as would better be collected through local clearing houses or branch banks.)

"3. It is agreed that the Federal reserve bank may send all items direct to the member bank on which they are drawn.

"4. Items received after the time fixed for the receipt of such items shall be held over until the following day, and notice sent to the member bank.

"5. The accounts of members will be charged, upon notice, with items lost in the mails or otherwise, and upon request members shall secure duplicates.

"6. Items accompanied by special instructions, such as "no protest," "with nonpayment," etc., shall have firmly affixed a slip bearing such instructions, and in addition each item shall be plainly stamped with a mark indicating such instructions. Other than this no confirmation of instructions shall be required on the letter.

"7. The member bank undersigned hereby agrees that the clearing indorsement stamp used by it on all checks deposited with the reserve bank constitutes all prior indorsements.

"8. Items unpaid are to be returned direct to the member bank which originally deposited such items with any Federal reserve bank, and proper notice is to be sent to the reserve bank from which such items were received.

"9. The member bank shall be charged against the reserve bank standing to its credit with the reserve bank on the day of deposit of such items with the reserve bank.

"10. The reserve bank will, at the option of the member bank, pay the reserve discount rate for the items deposited with the reserve bank when such balances are shown on the statement of the reserve bank to the credit of such member.

"11. A daily statement of the items deposited with the reserve bank shall be acknowledged by the member bank.

The plan and form proposed for the clearing of items by the Federal reserve banks have been adopted by the Federal reserve board, and after being approved by the Federal reserve board, the plan and form will be arranged for the use of the member banks. The plan and form will be in operation for the clearing of items by the Federal reserve banks and a list of the member banks will be published by the Federal reserve board.

they will receive checks on deposit from members in the same city only, and will receive checks on members from other reserve banks only when such members are farther distant than one night's mail from the Federal reserve bank of the district. Again, there may be branches established which may clear a limited territory not easily accessible to or from the reserve bank. Such clearing, however, should be strictly local, and these branch banks should not receive items on deposit payable in other districts, nor should other Federal reserve banks send them items except (perhaps) those payable in the city where the branch bank is located.

Whatever may be the business transactions to be developed between a Federal reserve bank and branch banks of another district, the clearing relations between the reserve banks will not be altered, since all such transactions will be credited or debited on the books of the main banks, proper advices forwarded, and adjustment made between the reserve bank and its branch affected.

If that plan be deemed expedient, the work of clearing may be developed gradually. At first the Federal reserve banks might limit the items received for collection to those payable in the larger cities in the district, extending the service until the entire district is covered. Drafts on all Federal reserve banks should be accepted from the first, but no items payable in other districts should be accepted until the machinery is working smoothly, and this service should then be extended in the same manner that is suggested for each individual district. Member banks on which checks might be accepted at the beginning should be permitted to deposit items payable in other districts. This would enable them to meet the checks drawn against them and would make it possible to develop the exchange relations between the Federal reserve banks at the outset.

On account of geographical and railroad limitations situations will arise in every district where it will not be feasible for member banks to send checks on other member banks to the Federal reserve banks. Each such case will need to be adjusted according to conditions, either through branch banks or by reciprocal relations established between the member banks, settlement being arranged by a system of transfers. There are sections—as, for example, the State of Mississippi—where the nonmember banks will so far outnumber the member banks that a hardship will be imposed upon members unless they find relief through the assistance of the Federal reserve bank of the district, which might establish local offices at many centers and accept and collect checks on nonmember banks.

A list of member State banks and trust companies should be sent to each member bank and a monthly supplement showing additions furnished. A list of nonmember national banks may also for a time be required. A large map should be furnished all members at cost showing the district limits, mail time between Federal reserve banks, variation in time used, expressage and telegraphic rates, and such other information as may be found expedient.

It is recommended that a standard form of draft be required for use by each member bank in drawing on its reserve bank, and if each reserve bank should adopt a different color of paper upon which the drafts are to be printed it would promote convenience in assorting these items and would tend to prevent misrouting. It would also serve as an example to the banks and make it easier later to provide a color system applying to all checks.

Arrangements could be made with the Bureau of Engraving and Printing to prepare the drafts on the Federal reserve banks for members at cost. Uniformity would thus be assured.

A large item of expense and a great source of annoyance and delay to all large banks is the daily weighing and stamping of letters containing checks and drafts sent out each night. This work will be greatly increased in the reserve banks and will constitute quite an item of expense as to labor. The Post Office Department should be consulted and arrangements made whereby the Federal reserve banks would be authorized to send out letters containing checks and other remittances at first-class rates, the payment to be made by bulk weight. This would also be a convenience to the Post Office Department, since it would not be necessary to test the letters as to the correct amount of postage used, and some economy would be effected in the preparation and sale of postage stamps.

CHECKS ON NONMEMBER BANKS.

There is nothing in the act that prohibits the acceptance by Federal reserve banks from members of deposits of checks payable by nonmember institutions.

By accepting such items to a limited extent clearings could be equalized at times between the reserve banks, thus avoiding the transfer of gold to the clearing house. Also, exorbitant exchange rates on the part of nonmembers could be checked wherever there is a member bank in the same town by having such member collect checks on the nonmember bank or banks for other members through the Federal reserve banks.

AN ALTERNATIVE PLAN.

Many suggestions have been presented with reference to the matter of handling clearings of the Federal reserve banks. It has been found that probably the greatest difference of opinion concerns the manner of dealing with the transit problem. In view of the fact that the precise scope of the banks' operations has not been determined, it is therefore considered worth while to offer for consideration an alternative plan for the clearance of transit items differing from the one set forth above. The main feature to be considered in this connection will be found to relate to the time at which the items are to be credited to reserves by the several banks.

In support of this alternative plan it is argued that if the purpose is to shape the operations of the Federal reserve banks so that the growth of the member banks will reflect itself in the Federal reserve banks, it would appear advisable to afford special advantages to the member banks which would encourage their maintaining larger balances than required by law with the reserve banks.

Any plan which would assist in placing member banks in a more favorable position than nonmember banks in the clearance of transit items at par and at the same time extend the privilege to the member banks of an immediate settlement for such items should receive careful consideration, inasmuch as it would without question stimulate more widespread interest in the Federal reserve system and make its membership more attractive.

The essential point of the plan is:

Clearance at par, with immediate credit in the reserve accounts of member banks for such items as they may forward for collection to the Federal reserve bank of their district and which are drawn upon—

- (a) Member banks of their own district.
- (b) Federal reserve banks of other districts.
- (c) Member banks of other districts.

In order that this may be effected, an immediate settlement for such items would be obtained by the Federal reserve banks in the following manner:

MEMBER BANKS OF THEIR OWN DISTRICT.

Items drawn upon member banks located within the district in which the Federal reserve bank is situated will be charged against their accounts upon the day of forwarding.

FEDERAL RESERVE BANKS AND MEMBER BANKS OF OTHER DISTRICTS.

1. A certain portion of the gold reserve of the Federal reserve banks would be concentrated at Washington, preferably with the Secretary of the Treasury, as chairman of the board, who would maintain a ledger record of the balance of gold reserve belonging to each bank.

2. The Federal reserve agents would authenticate each day the transit operations of the Federal reserve banks and forward a descriptive statement to the Secretary of the Treasury, which would enable him to record the debits and credits in the gold reserve of the different Federal reserve banks. This would place the Secretary of the Treasury in a position to assemble the entries of all the Federal reserve agents, with the result that the Federal Reserve Board would maintain the gold reserves in 12 accounts, so that the transfers of gold would be by book entries and shipments would be reduced to a minimum.

3. Each Federal reserve bank would carry an account upon its books known as "Transit account," the account being upon a daily liquidating basis, as the balance resulting from the transactions would mean either a credit or a debit to the reserve account of "Gold reserve with Secretary of the Treasury." The credits to transit account would consist of remittance letters received from other Federal reserve banks, while the debits would be the total of the cash letters in process of being forwarded for collection to other Federal reserve

banks. The result of this would be, say, in the event that the Federal reserve bank of Chicago received remittance letters for collection greater in amount than the total of the cash letters forwarded by it, that the credit balance in the account would be liquidated by passing its equivalent to the credit of "Gold reserve with Secretary of the Treasury," thereby reducing the gold reserve to cover the transit transactions of the day.

From this brief outline it will be noted that an immediate settlement has been obtained for the transit items and that "Outstanding time" has been eliminated by the expedient of book entries in the gold reserve, such entries having been authenticated by the Federal reserve agent.

Further details of the plan would be:

(a) The ledger record of the Secretary of the Treasury would be so designed that a carbon copy would constitute a daily statement to the Federal reserve banks of the debits and credits entering their balances of gold reserve. This would also enable the Federal reserve banks to check such entries and likewise place them in close touch with the condition of the account.

(b) The credit and debit entries which would appear upon the daily statement of the Federal reserve agent to the Secretary of the Treasury would be obtained by means of a form prepared in quadruplicate for use of the book-keeping department of the Federal reserve banks.

(c) Federal reserve notes would be listed upon a separate letter and included in the total of the outgoing remittances.

(d) Unpaid cash items would be charged to the transit department, where they would be listed upon a separate letter and included in the total of the outgoing remittances for the day.

(e) Cash letters from Federal reserve banks or member banks would be credited only when received in time for use the same day.

(f) Checks received by member banks which are payable within a certain radius, to be determined by the Federal Reserve Board, would not be forwarded for credit to the Federal reserve bank of their district.

(g) The usual reciprocal accounts subject to check would be maintained by the different Federal reserve banks for the purpose of collection of drafts, notes, coupons, etc.

(h) Telegraphic transfers up to a certain amount may be made through the reciprocal accounts, while for larger amounts it would be advisable to use the existing subtreasuries or the medium of book transfers in the gold reserve at Washington.

(i) Errors in listing, etc., would be adjusted by means of claim tickets, to be drawn and approved by the auditor and signed by an officer of the bank.

(j) To defray the expense of labor, stationery, postage, depreciation of equipment, etc., it would appear advisable to assess the member banks upon the basis of the volume of business handled as compared with the expense involved.

(k) In view of the special advantages afforded member banks under the proposed plan, and to confine such advantages to banks in the Federal reserve system, member banks should be prohibited from depositing transit items which in turn have been deposited with them by nonmember banks.

The indorsement stamp of the member banks would be:

Pay to the Order of
Federal Reserve Bank, Chicago, Illinois,
May 28, 1914,
Indorsements Guaranteed
(Name of Member Bank)

while the indorsement stamps of the Federal reserve banks would be:

Pay to the Order of
Any Member Bank District No. 2
May 28, 1914,
Indorsements Guaranteed
Federal Reserve Bank
New York, N. Y.

Pay to the Order of
Any Federal Reserve Bank
May 28, 1914,
Indorsements Guaranteed
Federal Reserve Bank
New York, N. Y.

The accounting forms necessary to facilitate the prompt and efficient handling of this alternative plan will be found in portfolio of Forms No. II, accompanying Appendix II, with which this plan is correlated.

QUESTION OF TIME IN COLLECTION.

The usual method employed at the present time in the collection of transit items contains as a most important factor the matter of "Outstanding time," inasmuch as the banks are obliged to await the receipt of returns covering the settlement of such items as may have been forwarded to correspondents for collection. Theoretically speaking, this burden should be borne by the depositors of the banks, as it would not be sound banking to permit the withdrawal of funds in the course of collection, but from a practical standpoint it would be difficult to educate depositors not to check against outstanding items and must so regulate their books that they may know at all times what their checking balance really is.

Under the first plan discussed above, namely, that of withholding outstanding transit items from reserve balances of member banks until such time as the checks are theoretically collected, the problem of outstanding time is admitted, but only partially solved by the decision that in order to lessen the burden upon the member banks the outstanding time be cut in two; that is, the checks will be permitted to enter the reserve balances of the member banks upon the theoretical day of collection.

The first plan proposes as an offset to the deduction of transit items from the reserve balances to defer charging items drawn upon member banks until such time as they have been received, thereby establishing a basis of equality.

For the purpose of carrying out the project, each member bank, in addition to the Federal reserve banks, must, as already explained, be equipped with time schedules indicative of the days necessary for the collection of checks, and upon the days of maturity, when the items are supposed to be paid, entries would be made upon both the books of the member banks and the Federal reserve banks, a plan which would enable the collected items to serve as reserve for the member banks; while in like manner the checks which are forwarded by the Federal reserve banks to the member banks, in accordance with the prearranged schedule, would be charged against the balances of the member banks upon the day they are supposed to have been received.

The committee has been at pains to secure criticisms upon the transit problem and finds that the idea of withholding credit until items are collected is thought by many to have the following disadvantages:

1. It places a discount upon such inland exchange as may require Federal reserve banks one day or more to collect.
2. It similarly places a comparative premium upon such exchange as may be drawn upon member banks located within the cities in which the Federal reserve banks are situated.
3. It might tend to discourage member banks from using the facilities of the Federal reserve banks, with the result that they might either withdraw from the system or maintain the exact amount of reserve required by the act.
4. It might render the transit system of the Federal reserve banks more complex and to result in confusion if not skillfully conducted.
5. It might entail additional labor.
6. It might mean the maintenance of subsidiary records, both in the Federal reserve banks and in the member banks.
7. It might be difficult of proof.
8. The most carefully planned time schedule would be only approximate.
9. The return of unpaid items from one member bank direct to another, when the items were originally forwarded by the Federal reserve bank for credit, might result in error.

VIEWS OF A TRANSIT EXPERT.

By way of further elucidating the main points at issue in this matter the committee, without expressing final opinion, thinks best to include in this report the following letter from an eminent clearing and transit expert to whom this subject was referred with a request for an opinion:

"In compliance with your request, I have gone over the plan submitted to me regarding the method of handling items through the Federal reserve banks, and beg to submit the following suggestions:

"(1) REGARDING THE RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS IN THE SAME CITY.

"As Federal reserve banks will not handle items on nonmember banks or receive any items from nonmember banks, there does not appear to be any

necessity for a Federal reserve bank joining the clearing house in the city in which it is located. Items which the Federal reserve bank will have on member banks in its own city can be charged to their accounts with the Federal reserve bank and a time allowance made the member bank for the redemption of unpaid items.

"Items on member banks which fall into the hands of nonmember banks can be collected through the clearing house as at present. The only service which would be rendered by the Federal reserve bank through the clearing house would be the facility of member banks settling their balances with each other by checks on the Federal reserve bank.

"Checks on the Federal reserve bank which may fall into the hands of nonmember banks can be deposited in the member banks, and it is probable that nonmember banks in the Federal reserve cities will carry accounts with member banks. They will either have to do this to get the items cleared or will have to become members of the Federal reserve system themselves.

"If the Federal reserve banks should allow clearings between nonmember banks and themselves, this would remove a strong reason for nonmember banks becoming members.

"Checks on member banks which are not members of the clearing house in the Federal reserve cities should be received on deposit by Federal reserve banks. This would provide a place of redemption for items on outlying member banks, many of which are located several miles from the downtown district and whose items have to be collected either by mail or messenger, and would also provide a place of payment for the downtown member banks which are not members of the clearing house. This would be a great accommodation to the member banks, as considerable difficulty is experienced in handling the items of outlying banks.

"When clearing-house balances are settled through the Federal reserve bank, payment should be made by checks on the Federal reserve banks rather than by memorandum showing debtor and creditor balances, as then no dispute could arise in making settlement.

"(2) RELATIONS BETWEEN THE FEDERAL RESERVE BANKS AND THEIR MEMBERS OUTSIDE OF THE FEDERAL RESERVE CITIES.

"In assorting the items for deposit in the Federal reserve banks there does not seem to be any necessity to sort the items according to the States, as State lines have not been used in outlining the districts.

"With reference to 'no protest' and 'wire nonpayment' instructions, besides having the items so marked, these instructions should also be written on the letter accompanying the items, as otherwise the receiving bank would claim the instructions were not given and the sending bank would not have the item to prove they had been given.

"With regard to the clearing system to be used in each Federal reserve bank, if we are going to have a clearing system, why not make it complete instead of going only halfway? All items received by a Federal reserve bank drawn on members in its own district should be credited when deposited to the reserve account of the depositing member bank and charged at the same time to the reserve account of the member banks upon which the checks are drawn, thus doing away with a lot of unnecessary work for the member banks, as well as the Federal reserve banks, in figuring the time taken for the items to reach their destination.

"The system for clearing these items should be as simple as possible, with a minimum amount of clerical work, otherwise the member banks will clear their items through outside banks and will not put them in the Federal reserve bank. The items going through the Federal reserve bank on points in its own district will not change the deposits of the Federal reserve bank. They will only increase the balances of member banks on one side and decrease them on the other.

"The reserve balances of member banks will increase in the Federal reserve bank just as much as they will decrease, and it is quite likely in the course of business that the reserve banks will carry more than the required amount of reserve with the Federal reserve banks, and, instead of having to continually make up their reserve, there will be just as much necessity for reducing the accumulations in the reserve account.

"Items on member banks outside of the depositing member bank's district should not count as reserve, as the reserve bank will have no account to reimburse itself from when the items are deposited. A separate account should be

carried for each member bank which deposits items on member banks outside of its own district, as these items will be paid by a method described under the heading 'Relations between Federal reserve banks themselves,' and the transit account of the member bank will be charged and the reserve account credited.

"The transit accounts should be used only for items which are deposited on member banks outside of the district and on other Federal reserve banks.

"Member banks should not draw checks on the transit account, but should draw all checks on the reserve account. This would do away with any necessity for figuring a discount rate of interest if the transit accounts should be drawn below the amount of collected funds.

"As the member bank itself is the only one which knows the amount its reserve should be, the Federal reserve banks can not ascertain whether a bank is drawing below its reserve or not, except when reports are received from the national-bank examiner. It is up to the member banks to control their own reserves and to the bank examiner to see that they live up to the law in this respect.

(3) RELATIONS BETWEEN THE FEDERAL RESERVE BANKS THEMSELVES.

"Items sent from one Federal reserve bank to another should bear the indorsements of Federal reserve banks which handle, so that it may be known from the check how it has been routed. This is particularly necessary if items are misssent.

"With regard to clearing items between the Federal reserve banks, a system is suggested under which no Federal reserve bank will have to open an account with another. Instead each Federal reserve bank will carry an account with the Federal reserve bank to be selected as the central clearing bank.

"The Federal reserve bank of Chicago is well situated to act as the clearing bank on account of its central location and the excellent transportation facilities between all the Federal reserve cities.

"The suggested plan of carrying a portion of the gold reserve of the Federal reserve banks in Washington would require the shipment of an enormous amount of gold from all the Federal reserve cities, which, besides being a great expense, as some of the gold would have to come from as far away as San Francisco, would also take away the gold from the West, where it is needed for circulation. On the Pacific coast probably less than 10 per cent of the circulation is in paper money.

"Under the present United States subtreasury system gold is divided among nine cities from New York to San Francisco, and it would seem advisable to leave it where it is, so that when it has to be shipped to member banks it will not have to go far and the express rate will be reduced to a minimum.

"It is also desirable to hold the expense of the Federal reserve bank down as far as possible, in view of the fact that there are 12 banks, each with a separate organization, which will create a large overhead expense.

"The Federal reserve bank which will act as the clearing bank will have little or no expense attached to this part of its business and it would only make an unnecessary additional expense by depositing the reserves in Washington.

"Under the attached plan proposed reserve banks could make up the deficiencies in their balances carried with the clearing reserve bank by purchasing exchange, and gold shipments would be less necessary under this plan than they would be if the plan is adopted of carrying the reserves in Washington.

"Under the plan of clearing through a Federal reserve bank each Federal reserve bank would know how it stood at the end of each day's business, as the items would be cleared and settled for every day. The cost of buying exchange to increase balances with the clearing Federal reserve bank could be assessed on the member banks which deposited the items in each Federal reserve bank and could be added by the Federal reserve bank to the cost of handling the checks for the member banks, and in turn charged to the drawers of the checks by the member banks, provided they saw fit to charge the drawers.

"It is, however, likely that a member bank would absorb this cost itself, except where the drawers do not carry satisfactory accounts.

"With regard to the incidental rules, regulations, etc., it does not seem desirable to fix a limit of 25 miles from each member bank, thus denying the member bank the privileges of the Federal reserve bank for the collection of items on banks located within 25 miles of the member bank. Inasmuch as the items can be charged up to the account of the bank upon which they are drawn when they are deposited, checks will reach the Federal reserve bank for pres-

entation in nearly all cases just as quickly as they would reach the bank upon which drawn if sent direct by the member bank.

"Members situated in the Federal reserve cities should be permitted to deposit items on other member banks in the same city provided the depositing bank or the member bank upon which the checks are drawn is not a member of the local clearing house.

"Referring to items bearing 'No protest' and 'Wire nonpayment' instructions, the instructions should appear on the letters accompanying the items.

"Provisions regarding charging interest when balances are below the net amount of collected funds should be omitted, as previously explained.

"It would be very unsatisfactory to the member banks if the Federal reserve banks when they first start business receive items on only certain banks in the larger cities in the districts. These banks would be compelled to ship currency or buy exchange to settle for the items charged to their account by the Federal reserve bank, as they would not in turn be able to deposit items which they would have on all the other member banks in the district. Instead of picking out a number of the larger cities to start with, the Federal reserve banks could take a certain number of counties in each State and gradually increase the number until the whole district was covered. In this way there would be very little burden upon member banks, as the items would be cleared in certain zones in which the members would have items drawn on each other.

"With regard to checks on nonmember banks, I can find nothing in the act which permits the acceptance by Federal reserve banks of items for deposit drawn on nonmember banks. If the act can be construed to permit Federal reserve banks to receive such items, I do not think it would be good policy, as there would be a much greater chance for nonmember banks becoming members if the checks were not handled by the Federal reserve banks than if these facilities were extended.

"Checks on nonmember banks will circulate at a discount and it is quite probable that nonmember banks will arrange for a place of redemption for their checks through the clearing houses in the Federal reserve cities in the effort to make their checks circulate on a par with the items on member banks of the Federal reserve system."

BUSINESS OF FEDERAL RESERVE BANKS.

The business operations of the Federal reserve banks will be fundamentally of two distinct kinds:

1. Rediscounting for member banks.
2. Purchasing specified kinds of paper in the open market under the conditions provided by the act itself.

From another point of view the business operations may be divided as follows:

1. Domestic transactions.
2. Foreign exchange transactions.

The subject may first be considered under the latter division and then inquiry may be made as to how the business should be viewed from the point of view of the division or classification first suggested.

DOMESTIC BUSINESS.

The domestic business of the reserve banks will, as stated, consist primarily in the rediscounting of paper for member banks and in the purchase of paper in the open market. In either case the question is raised how the act must be regarded as applying to the nature of the paper dealt in. As will be seen from a survey of its provisions, the framers of the measure attempted to throw about the rediscount and open-market transactions a series of very careful and detailed restrictions intended to assure the liquidity and unquestionable commercial character of the obligations which were thus taken over by the reserve banks.

COMMERCIAL PAPER.

It is recognized that the question what should be accepted as commercial paper eligible for rediscount under the act is one of great difficulty, as well as one which must inevitably affect in a very profound way the operations of the reserve banks from the beginning.

"Upon the indorsement of any of its member banks, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual transac-

tions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount within the meaning of this act."

Later (in sec. 14) Federal reserve banks are given power to—

"Purchase and sell in the open market at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this act made eligible for rediscount, with or without the indorsement of a member bank."

There are other provisions in the act which limit or modify these fundamental clauses, but consideration of them may be deferred for the present.

According as the "character of the paper thus eligible for discount" is defined, the scope of the business to be granted to the banks and to be undertaken by them will be greater or less and the volume of their operations, and consequently the extent of their aid to the community, will be greater or less. Various questions of a specific nature, therefore, arise at once, of which the following may be mentioned:

1. What is commercial paper in the sense in which the term is used to-day?
2. Is this popular definition correct, and should it be accepted by the reserve board?
3. If not correct, can an immediate change in definition safely be made?
4. Is there any need for different treatment of the paper made available for rediscount with the indorsement of a member bank and that to be purchased in the open market?
5. What is a commercial, agricultural, or industrial transaction?
6. To what classes of paper does it normally give rise, and how can a banker assure himself that a given piece of paper had arisen from such a transaction?
7. What distinction, if any, should be drawn between paper that grows out of such a transaction and paper whose proceeds are to be used in such a transaction?

By answering these questions the basis will have been provided for a thorough analysis of the provisions of the Federal reserve act in regard to the use of commercial paper as a basis for rediscount.

The language used in the section of the Federal reserve act with reference to commercial paper is modeled upon language used in many proposals of legislation which preceded the reserve act and whose purpose was that of sufficiently limiting the types of paper presented for rediscount so as to avoid the use of bank funds in two general classes of transactions. The language was intended to be negative rather than positive, and the two types of transactions which were regarded with disfavor were the following:

(a) Those growing out of speculative transactions or involving the use of funds for promotion of speculation.

(b) Those involving the regular, steady provision of capital for investment purposes with the idea of supplying to different enterprises an additional element of business support quite different from the mere use of banking as an aid to the financing of current transactions.

Of course, in addition to these negative limitations it was intended by the language employed to prevent the banks from rediscounting paper that necessitated a too remote maturity and naturally to avoid the rediscounting of paper whose soundness was not altogether assured.

At the present time commercial paper as employed by credit institutions and banks generally includes the following types:

(a) Ordinary notes signed by an individual, firm, or corporation and promising to pay a specified amount either on demand or at a stated time.

(b) Drafts secured by documents (bills of lading, etc.) which are discounted by banks and which bear two commercial names.

(c) Ordinary notes signed by individuals, firms, or corporations either on demand or on time and protected by stock, bonds, or other collateral with a collateral loan agreement.

(d) Ordinary notes of the kind already specified protected by a chattel mortgage on crops and the like.

Investigation shows that of these types of what is ordinarily called commercial paper to-day the ordinary single-name paper constitutes a substantial proportion. Opinions differ as to the relative amount of this paper as compared with other classes, but there is general agreement as to its importance.

Some large concerns estimate that fully 90 per cent of their business is transacted on the basis of such single-name paper. The commercial transactions growing out of or represented by such paper are in general as shown in the following hypothetical case:

A. purchases goods for his fall trade amounting to, say, \$1,000,000 from the X. Y. Z. Co., of New York City. These are bought on open account with, say, 90 days' credit. A. gives no paper in exchange for them, the seller having simply his general knowledge of A.'s credit to protect him. The X. Y. Z. Co., however, offers A. a discount for cash within a specified time (say 30 days), and an additional discount for immediate cash (say within 10 days). In order to get this cash A. applies to his bank, making a full statement of his transactions, and is granted a loan, for which he gives ordinary promissory notes. With the funds thus obtained he pays off the X. Y. Z. Co., getting the advantage of the discount, then settles with the bank as the goods are taken up by consumers and paid for. The transaction is distinctly a "commercial" one, and the paper growing out of it is commercial paper in the ordinary sense. In Europe, however, the X. Y. Z. corporation would have insisted upon being paid by a note signed by A., and would then have sold this paper or discounted it. Or A. might have induced his bank to accept drafts from the X. Y. Z. Co. (properly protecting the institution), in which case the paper would have been an acceptance bearing the name of the bank and the X. Y. Z. Co. It is desirable to stimulate the growth of true commercial paper of the latter class as rapidly as possible for several reasons. The closing up of the transaction by the giving of the paper is in itself a good thing, leading to conservatism and caution in the business. The tendency of this method is also to distribute loans much more widely, thereby creating a much better and more even division of business among banks. The paper thus created can be sold and traded in, and thereby a wider market, with much greater competition and consequently lower rates of interest, can be secured. Furthermore, such paper bears on its face, ordinarily, the certification that it grows out of a real "commercial transaction." The effort should undoubtedly be to work steadily toward a situation which would encourage the development of this kind of paper and would eliminate or reduce as rapidly as possible the present method of trading on the basis of one-name paper.

SINGLE-NAME PAPER PROVIDED FOR.

The conclusion that seems to be necessarily reached in connection with this subject, however, is that the Federal reserve act distinctly contemplates and provides for the use not only of two-name but also of single-name commercial paper. This is seen in the fact that the act in the sections already referred to provides for the rediscounting not only of paper whose proceeds have been used in the particular classes of transactions referred to, but also of that whose proceeds are "to be used" in that connection. At one time during the progress of the bill through Congress the provision was even broadened by the insertion of words including for rediscount such paper as might give rise to funds which "may be used" for the purposes referred to in the act. It is believed, therefore, that Congress clearly and unequivocally intended to recognize under the provisions of the law both classes of paper. This, however, was upon the distinct understanding that such paper, whether it bore one or more names, was not to be admitted to rediscount unless it evidently arose from the classes of transactions referred to or was so clearly for the purpose of providing funds for such transaction as to admit of no doubt.

In the second place, however, it is believed that paper carrying two names bears on the face of it the evidence of a strictly commercial origin which single-name paper never can, without collateral evidence, supply. There is, therefore, a *prima facie* case in favor of two-name paper which does not exist in that of single-name, and the question is suggested how single-name paper, when admitted to rediscount, as it evidently must be under the terms of the law, shall be prevented from being used as a means to obtain current capital or to furnish the basis for speculative operations. Various methods have been currently suggested, among them the plan of requiring each piece of paper thus presented for rediscount to be accompanied by a certificate on the part of its maker, or of the indorsing bank, or both, that it has originated in connection with a transaction of the permitted kind. Another method that has been put forward is to require such a general certificate on the part of each borrower, insisting that such certificate be made once and for all, or perhaps at periodical

intervals. Still another suggested plan is that of employing a form of note which shall incorporate into its own text a statement that it represents funds whose use is desired for a transaction of the permitted class. Of these various suggestions the latter is perhaps the best, and there may be no harm in putting it into effect, but neither it nor any of its predecessors would be likely to meet the requirements of the case completely. It is believed that this end can be accomplished only by some process that will give absolute assurance of the use of the funds advanced by the reserve banks in the way contemplated by the law. Clearly, however, the absolute assurance that the particular sum of money advanced by the banks on rediscounted paper has been used in the way prescribed can not be obtained in practice, nor is there any use in obtaining it, if there be certainty that an equal sum drawn from the liquid resources of the concern receiving the advance is so applied. The purpose of the Federal reserve act is thus fundamentally satisfied if evidence be given that the advances made are made for a commercial purpose as shown by the fact that the person or concern in whose favor they are made is engaged in actual business of the kind referred to and is in a liquid condition. This fact can be ascertained only by a direct audit of the affairs of the concern, repeated as frequently as circumstances may require, in order to renew the assurance of liquidity, which is regarded as the fundamental and essential test of the good faith of the concern in making application for funds, not to furnish capital for new enterprises or to take the place of capital that has been sunk, but to carry through short-period transactions.

A suggestion to which very considerable attention has been granted in responsible quarters is that of establishing through action on the part of the Reserve Board a so-called "differential rate" on commercial paper of the classes referred to, the rate required to be charged by Federal reserve banks for the rediscount of single-name paper being fixed at, say, one-fourth of 1 per cent or perhaps at one-half per cent higher than that to be charged for two-name paper, the paper of the two classes being supposed to be of equal safety, and the difference in rate being designed merely to discriminate in favor of two-name paper. This would probably be as effective a means as any for accelerating the movement of the business community toward the substitution of double-name for single-name paper. Precisely how great the discrimination in rate would have to be, and precisely how far it would need to be varied between the several Federal reserve districts, is a question that can not positively be answered pending the definite organization of the districts and the creation of the banks as working units in each of them. The idea is merely suggested here as indicating a feasible and desirable mode of bringing about the end in view, assuming of course that the application of the method is careful so that no injustice may be done through the charging of the higher rate to the paper which is less favorably regarded.

Still another plan is that of restricting the total amount of single-name paper admitted to rediscount to a given percentage of the gross rediscounts of the reserve bank in question. This plan has been carefully considered and is believed to be desirable. The estimates that have been made by authoritative persons concerning the proper amount of single-name paper in relation to two-name vary considerably, some taking the ground that not to exceed 25 per cent of the total rediscounts should consist of single-name and others that not less than 50 per cent might safely be allowed to consist of that kind of paper. It is believed that no definite percentage of this kind applicable to the whole country could be fairly established. Inquiry has shown quite conclusively that in some parts of the country there is much more two-name paper than elsewhere, business habits having developed somewhat differently in different communities. The restriction of the relative proportions of two-name and single-name paper, through rules to be issued by the Federal Reserve Board and to be applied by the boards of directors of the several Federal reserve banks, can be scientifically developed when it is seen through the early experience of the banks in about what proportions the two classes of paper are presented for rediscount. It may easily appear that the proportions in which the paper is offered to the Federal reserve banks will vary quite materially from those in which it has heretofore been offered to individual or member banks. No definite relationship can be laid down with certainty in advance. It can only be stated that wherever possible the proportion of single-name paper allowed to figure in the rediscounts of a Federal reserve bank should be confined to the lowest basis consistent with the welfare and convenience of the business community.

A proposal worthy of mention in this same connection, but requiring care in its consideration, is that note brokers who sell single-name paper to banks of the Federal reserve system shall be required personally to indorse the paper they thus dispose of. In support of this proposition it is urged that the custom prevailed in Europe and has been found effective there. This is only partially true, conditions being quite different abroad from what they are here, but it is probably the case that everything possible should be done to stimulate a greater degree of responsibility on the part of note brokers. At present there are many individuals and concerns in the note-broking business whose financial responsibilities may be a matter of some doubt and whose principal effort is to dispose of as much paper as they can, thereby securing for themselves the largest possible amount of commissions. On the other hand, it seems hardly desirable to take a step that would tend to produce a condition of monopoly or semimonopoly in the note business. To require indorsements of the kind referred to would undoubtedly tend to drive the smaller concerns out of business and would likewise tend to promote the formation of very large corporations organized for the purpose of lending their signatures to commercial paper, thus making it available for use by reserve banks. In this same group of suggestions is the recommendation that the note broker whose paper is purchased by the reserve banks through member banks shall be required to be regularly examined and audited by a satisfactory accountant. There is no objection to this requirement, provided that it be properly applied and that the audit or examination be made under conditions that will not be unreasonably onerous or of a nature to entail unnecessary or excessive expense upon the broker.

GENERAL SUMMARY.

Summarizing these suggestions, therefore, we may first enumerate the recommendations which it is believed are at all events not feasible at the present time.

1. Exclusion of single-name paper whose proceeds are "to be used" for commercial purposes.

2. Narrow definition of the words "agricultural, commercial, or industrial purposes" or transactions.

The purposes which should undoubtedly be sought and the recommendations corresponding thereto are as follows:

1. Exclusion of all paper of every kind from rediscount unless those responsible for it are able to make good the contention that its proceeds are intended for facilitating or carrying out a genuine current business transaction of a kind that shall be self-liquidating within the period set by the language of the act.

2. Requirement of all possible classes of information on the part of bankers, note brokers, and others bearing upon the origin of the paper offered for rediscount and the purposes to which its proceeds are to be applied.

The detailed methods that have been suggested for the attainment of these objects and which it is believed will prove more or less useful are as follows:

1. Regular audit of firms or corporations placing single-name paper on the market in order to assure their absolute liquidity and solvency and the liquidity of its assets.

2. Regular audit of note brokers in order to insure absolute knowledge of broker's responsibility.

3. Indorsement by note broker of all paper passing through his hands and ultimately presented for rediscount.

4. Restriction of single-name paper to specified percentage, say, 25 to 50 per cent of total paper rediscounted by a reserve bank.

5. Establishment of differential rate of rediscount for single-name and two-name paper in order to favor the latter type of security.

6. Use of specified form of note or certificate intended to indicate type of transaction giving rise to paper.

The following points at least are, however, deemed essential in determining the practice to be followed by reserve banks:

1. Commercial paper must be broadly defined as including two-name paper given in lieu of cash for goods sold and bearing the name of maker and indorser. If discounted, and single-name paper which is largely discounted or sold to provide cash in anticipation of future purchases and sales. Where the price of the commodity involved has been fixed, two-name paper, so far as the seller is concerned, represents a closed transaction, whereas in the use of single-name

paper, representing as it does principally money borrowed for future transactions, the price remains to be fixed by seasonal demand and trade limitations.

2. From an economic standpoint, two-name paper may be regarded as having no inherent quality that will develop inflation, while single-name paper, involving, as previously stated, future transactions, may (though not necessarily) promote speculation and thus develop price inflation. Member banks, therefore, should carefully analyze the business on which single-name paper is to be predicated, differentiating sharply, for purposes of rediscount, between that which is to be used to finance accounts receivable, or strictly seasonal requirements, and that which is to finance a floating debt or be used for the extension of business that can not be readily liquidated.

3. Single-name paper, secured or unsecured, must bear the name of a solvent party whose responsibility is secured by the filing of a satisfactory statement made within one year prior to the date of the discount or by the filing of a certified copy of such a statement by a responsible person who is in possession of the original.

4. Such paper must bear the indorsement of a member bank and be accompanied by a statement attached to its schedule of application for rediscounts, signed by an officer of said bank, to the effect that to said officer's best knowledge and belief the proceeds of the notes discounted have been or are to be used for commercial, industrial, or agricultural purposes of a *current nature*. Such schedule of application must be classified (on a standard form), giving the kinds of business supported by individual items.

5. Such paper must have a maturity at the time of discount of not more than 90 days, except in the case of notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock, which may have a maturity of not exceeding six months. The total amount of such six months' paper to be taken by any one Federal reserve bank, however, shall not exceed ----- per cent of the capital of said bank.

6. Any Federal reserve bank may discount acceptances (bank or other than consignee) based upon the importation or exportation of goods and which have at the time of discount a maturity of not more than three months and are indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital and surplus of the bank for which the rediscounts are made.

7. Two-name paper must bear the names of two solvent parties, the maker and the indorser, the responsibility of one being reasonably assured by customary credit statements, or the opinion of an officer or director of a member bank formally stated and filed.

8. Such paper must bear the indorsement of the member bank and be submitted on a schedule separate and apart from that used for single-name paper, but similarly classified as to the kinds of business involved.

9. Such paper must have a maturity at the time of discount of not more than 90 days, except as provided by the act for six months' paper based upon agricultural products or live stock.

10. It is recommended as a general practice that at least one party involved in the discount of two-name paper be required to file a statement with the member bank.

FUNCTION OF OPEN-MARKET OPERATIONS.

At this point some attention may be given to the question of open-market operations. Section 14 of the Federal reserve act grants the Federal reserve bank power to deal in gold coin and bullion, to buy and sell bonds and notes of a public character, to purchase and sell bills of exchange with or without its indorsement, and to establish such agencies as it may deem best for the purpose of dealing in bills of this kind. It calls for the formation of certain rules and regulations by the Federal Reserve Board, involving—

- (a) Open-market purchases of commercial paper and exchange;
- (b) Government bonds and short-time Government, State, municipal, and other bonds, notes, and bills.

With reference to these classes of business the following points are noted:

- (a) The scope of open-market operations, so far as the question of individual and corporate credit is concerned, must rest largely with the purchasing bank, subject to suggestions based upon analyses by the credit department of the Federal Reserve Board. It will be necessary, however, for the Federal Reserve Board from time to time to make regulations involving—

(1) The amount of any particular paper permitted to be held by any one bank and the aggregate amount of such paper to be held by all the Federal reserve banks;

(2) The total amount of all open-market purchases held by all Federal reserve banks.

The necessity for such regulations is apparent. The open-market section of the bill was primarily provided to give the Federal Reserve Board the necessary economic control of the domestic money market and to preserve a proper equilibrium in international relations. Specific rules formulated in advance on this general subject are, of course, impracticable. The rules when established will, moreover, have to be varied somewhat from time to time.

(b) The Federal Reserve Board should from time to time formulate rules and regulations covering purchases and sales involved in subdivision (b) of article 14, limiting the volume of securities which it would be appropriate for any one Federal reserve bank to purchase, and also in contemplation of the aggregate volume held by all such Federal reserve banks. The intent of the act is to have such securities purchased, with the exception of Government bonds, somewhat approximate the fluid quality of commercial paper. It will therefore be inadvisable for banks to purchase any revenue bills or bonds that are issued in the aggregate in excess of the amount of revenues received by the respective States, districts, or municipalities beyond the amount which experience shows was received on the annual average of the last preceding two years. No bills or bonds should be purchased which are not issued in anticipation of specific levies or revenues. Federal reserve banks should file with the Federal Reserve Board comprehensive statements involving the experience of all districts and municipalities in relation to taxes and revenues received, and amounts borrowed for the last preceding two years, when purchases are contemplated.

Banks desirous of purchasing irrigation, drainage, and reclamation district obligations maturing within six months shall, prior to making such purchases, file with the Federal Reserve Board a statement of revenues, expenditures, and borrowings of such districts for the last preceding three years. In all cases both as to State, municipal, irrigation, drainage, or reclamation short-time struments, where any question is involved not herein covered, specific action will be taken by the Federal Reserve Board based upon the facts presented.

The open-market provisions of the act are of very large importance in two ways:

(a) In permitting Federal reserve banks to place their resources at the disposal of constituent or member banks even when such constituent or member banks do not apply for rediscounts, inasmuch as the law allows the reserve banks to buy the paper directly in the open market and thereby to insure the placing of its funds in active use should occasion demand.

(b) In permitting a reserve bank in one district which has surplus funds to relieve the strain upon reserve banks in other districts by buying such surplus of paper as may have come upon the market in those districts, thereby preventing banks in these places from being compelled to refuse to grant rediscounts in cases where the supply of paper is in excess of the capacity of the banks to take care of at the seasons of the year when an exceptional degree of strain has made itself felt.

Much has been said of the effect of the open-market transaction in enabling the reserve bank to get funds out into active use at times when they would otherwise be out of use. There are some limitations upon this idea that have probably not been sufficiently considered. Under ordinary circumstances the reserve banks will not compete with their own members, and while they may be expected to compete with certain individual banks even among their own stockholders under special or peculiar circumstances, they will naturally do so only when such action is rather urgently demanded. A quite different condition of affairs will exist with reference to the open-market transactions relating to paper put out in other districts. In so far as this represents a field of activity which is not occupied, or occupied only in a limited degree by individual banks, the reserve banks may be expected to become active buyers of paper originating in such other districts.

FOREIGN EXCHANGE OPERATIONS.

The second principal element in the business of the Federal reserve banks will be that of dealing in foreign exchange and of transmitting funds abroad. Precisely what relation this business will bear to the general business of the

reserve banks themselves can not be predicted, and will undoubtedly vary considerably from bank to bank, according to the particular type of business developed in each of the several institutions. At some of the banks the foreign exchange service may at times be of preponderating importance, while at others it is entirely possible that the work may be sporadic or incidental. In the case of some of the banks it may be found desirable to conduct the exchange operations entirely through the medium of other reserve banks.

Nevertheless the conduct of the exchange operations for the system as a whole will be of primary importance and will amount to a general control of the foreign financial and monetary relationships of the United States.

The provision of the Federal reserve act relating to foreign exchange operations is found in section 14, where it is provided that the banks shall have authority:

"To open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than 90 days to run and which bear the signature of two or more responsible parties."

The banks are also authorized—

"To buy and sell at home or abroad bonds and notes of the United States and bills, notes, revenue bonds and warrants with a maturity from the date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenue."

In section 13, it is provided that—

"The rediscount by any Federal reserve bank or any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board."

It is thus seen that the Federal reserve act makes express provision not only for dealing in foreign exchange and securities, but also for the mechanism necessary for such exchange transactions and finally for the regulation and control both of the foreign agencies and of the transactions themselves by the Federal Reserve Board through its regulations.

It is therefore necessary to indicate first of all the conditions under which the reserve banks should operate abroad and their relations to the member banks engaged in similar business as well as to one another.

It is recommended that above all in dealing in foreign exchange the Federal reserve banks should act together as a unit. While this is not necessary, and while the reserve banks could undoubtedly do a successful foreign exchange business independently of one another, each establishing its own agencies as it saw fit, it is believed that better results would be obtained if the reserve banks at least had general knowledge of one another's transactions and were required to act together so far as conditions would permit. It is, therefore, recommended that the policy to be prescribed with reference to foreign exchange by the Federal Reserve Board shall be uniform and that there shall be as little opportunity as possible for the development of conflicting or unnecessarily duplicating orders and policies. Moreover, it is believed that the establishment of agencies by each and every one of the banks would be an unnecessary expense. It is, therefore, suggested that in selecting agents or in establishing offices abroad, the reserve banks shall be required to act jointly. Joint offices for all the reserve banks will ultimately need to be established in each of the principal financial centers in foreign countries, and pending the time that such joint office is established, it is recommended that consent be given only to the establishment of agencies which shall jointly act for all of the Federal reserve banks. The details of this proposal will be fully considered in connection with the question of establishing branches in general.

GENERAL SCOPE OF FOREIGN OPERATIONS.

It is possible that the foreign operations of the Federal reserve bank will not be large at first. The ordinary clearance operations of commerce are handled eagerly and adequately by banks already engaged in foreign exchange. Except in cases of stress, all exchange is easily absorbed at the current price. It will be necessary, however, for the reserve bank to stand ready to negotiate

all bills of exchange that may come to it from member banks in outlying communities or from other reserve banks. Rather should the position of the reserve bank in this field be that of an overflow reservoir, recouping its balances from the credits created abroad by other banks engaged in such business and making such advances from time to time as may be necessary to facilitate absorption of exchange or protect gold reserves—that is to say, not interfering with member banks, but operating rather from a broad economic standpoint. The reserve bank can act as the medium through which the necessities of the post office for foreign exchange to meet the requirements of the foreign money-order division may be liquidated, and otherwise as foreign fiscal agent of the Government, but must give due consideration to the development of offsetting business. It may be needless for many of the reserve banks to enter the foreign field, much depending upon their cooperation through a common agency. It is a matter of grave doubt as to whether it will be necessary for more than one to do so at the start, as even under present conditions the foreign-exchange market for all banks engaged in foreign exchange wheresoever located is in New York City. However this may be, the relations of the Federal reserve banks and either member or nonmember banks in the foreign-exchange field should be sympathetic. The Federal reserve bank should have perfected all the machinery to make it a dominant leader to marshal the collective forces of the exchanges in times of stress.

FOREIGN REPRESENTATIVES.

Arrangements will necessarily be made as soon as feasible to secure banking connections in all of the principal banking centers of the world. It will be unnecessary to establish actual branches in all those places where there are already good banking facilities, unless the Federal Reserve Board should deem it wise to do so after a general survey of the whole field. The existing facilities afforded by foreign banks, or even by branches of American banks, will afford all that would be supplied by an independent branch. Whether it will be deemed best in spite of this fact to create actual branches with independent banking houses and assigned capital in all places where good banking facilities already exist is a matter of policy as to which no definite statement can here be made. The general question of branches and the creation of such branches abroad will be given special attention at a later point, to which attention is accordingly directed. It will at all events be found that in not a few places the appointment of representatives will probably be necessary, owing to the fact that adequate banking facilities for the promotion of American commerce are not available there.

CONDUCT OF BUSINESS.

It is recommended that the service of a foreign exchange expert of known ability who is at the same time familiar with banking in its broadest sense shall be secured. This expert should probably be given the rank of an officer corresponding to that of a vice president in an ordinary bank. Under his direction and through the medium of a deputy acting as his assistant the foreign operations of the bank should be carried on. This foreign exchange expert will find it desirable at the outset to secure, without delay, connections, whether through the creation of branches or not, as may later be decided, with the principal European centers, particularly including London, Paris, Berlin, Hamburg, Frankfurt, Antwerp, Amsterdam, Rome, Naples, Vienna, St. Petersburg, and Zurich. Exchange should be acquired by him with prudence and judgment as to money market conditions at all points, the major portion of resulting balances being, of course, held in London. His funds thus obtained should be employed in the purchase of short-term paper and bills of exchange, as specified under the law, according as business requirements demand. The rule to be observed, however, should be that of having the holdings of exchange in the most liquid form. Dealings in exchange should be carried on both at home and abroad, but it would probably be inadvisable to enter the field as an aggressive operator. The policy to be constantly observed is, unquestionably, that of providing a secondary reserve for the reserve bank. Precisely how much should be regularly invested in exchange with this object in view can not be laid down in any definite manner, and, as will be later indicated, could at most be limited to a given percentage of the operations of the reserve bank, although even that is not in this discussion definitely fixed. The funds invested in exchange will, of course, return

an income, but the principal object should be, as already stated, that of providing the secondary reserve referred to. It is probable that ultimately a considerable quantity of ordinary exchange operations will be undertaken by the reserve banks engaged in this branch of business, but no steps should be taken to force such a growth, it being permitted rather to gain a natural development incident to the regular progress of the institution carrying on the operations.

For the purpose of making clear the details of policy which must be observed in carrying on the foreign exchange business of the reserve banks upon the basis already described, a complete set of regulations designed to govern the management of the foreign exchange department of the reserve bank has been worked out as an element in this discussion.

They are as follows:

I. MANAGER.

(a) There shall be in charge of the foreign exchange department of each Federal reserve bank, if such a department be developed, an official to be known as the "Manager of the foreign exchange department," selected by the board of directors, who shall receive an annual remuneration to be decided by the board.

(b) This official shall have been actively engaged and be experienced in foreign-exchange operations.

(c) Upon appointment the official mentioned shall furnish bond of good and sufficient surety in amount of \$-----.

(d) The duties of the manager of the exchange department shall be to control the funds of the reserve bank carried in foreign exchange. He shall have entire charge of the buying and selling of all checks, drafts, demand or time, cable transfers, bills of exchange, gold coin, bullion, and any other instruments, securities, properties, and commodities that the reserve bank is authorized to buy or sell under the law, subject to the regulations hereinafter provided.

(e) The manager shall have the power to employ, through the channels provided in the regulations, such assistants as he may deem necessary to carry on the business of his department. He shall make such recommendations as he may deem advisable for the expansion or improvement of the bank's foreign-exchange operations to the president.

(f) He or his assistants shall, through the usual clerical channels, submit daily to the president a report of his operations, showing purchases and sales of exchange, prices at which such purchases and sales were made, and the disposition of the reserve bank's foreign balances. It shall be his duty, or that of his designated assistants, to authorize all transactions, approving all purchases, sales, and other operations, subject to the rules and regulations of the board of directors. There shall also be submitted to the board of directors and to the Federal Reserve Board a monthly report and such other reports as the Federal Reserve Board may deem advisable or necessary.

(g) He shall have general supervision, under the direction of the president, of the exchange operations of all of the bank's foreign agencies and branches. The board of directors shall arrange for systematic reports from all foreign agents and managers of foreign branches.

(h) There shall also be selected by the board of directors an assistant manager, who shall act as general assistant. Before receiving appointment he shall comply with the requirements of paragraphs B and C. He shall receive a compensation to be decided by the board.

II. FUNDS TO BE INVESTED IN FOREIGN EXCHANGE.

(a) Unless at the express direction of the board of directors or the Federal Reserve Board, there shall at no time be invested in foreign exchange an amount exceeding _____ per centum of the reserve bank's demand liabilities after deducting from the total of such demand liabilities the total of gold and lawful money on hand or in transit to the bank, such sum invested, however, not to include the working capital of any branch that may be established in accordance with the law. Any Federal reserve bank not regularly engaged in foreign-exchange operations may, at the discretion of its board of directors, invest in foreign exchange or transact any and all foreign business eligible under the law and clear such transactions with foreign countries through the medium of the foreign department of any other reserve bank that may be actively engaged in foreign operations, and such other Federal reserve bank shall separately record any and all foreign transactions it may perform for any reserve bank

independent of its own operations and shall render a separate and distinct accounting therefor and may receive a compensation from such other Federal reserve bank for so acting, such compensation to be fixed by the Federal Reserve Board on the basis of the periodical turnover.

(b) When gold coin or bullion is purchased in foreign countries out of the amount invested by a reserve bank in foreign exchange for the purpose of importation into the United States, such amount shall immediately be deducted from the total carried as foreign exchange and shall be regarded as part of the gold reserve of the bank.

(c) When importations of gold are desired, at the discretion of the board of directors or at the direction of the Federal Reserve Board, banks or bankers may be employed to import gold for the account of a Federal reserve bank. In such cases the gold coin or bullion must be consigned to the Federal reserve bank making the advance, and shall be regarded as part of the gold reserve of the Federal reserve bank when in transit.

(d) No clean bill of exchange drawn on parties other than banks or bankers shall be negotiated by a Federal reserve bank without the indorsement of a member bank.

(e) Clean bills of exchange drawn on banks or bankers at longer time than sight (such maturities, however, not to exceed 90 days sight) may be negotiated by a Federal reserve bank upon the guaranty of acceptance of a member bank.

(f) Documentary bills of exchange drawn on parties other than banks or bankers at longer time than sight, provided, however, at not longer than 90 days sight, and where the documents are deliverable upon acceptance, may be purchased by a Federal reserve bank only with the indorsement of a member bank.

(g) All documentary bills of exchange drawn on banks or bankers of whatsoever tenor in accordance with section 13 of the Federal reserve act may be negotiated by the Federal reserve bank with the guaranty of acceptance of a member bank.

(h) Cable transfers, checks, drafts, and bills of exchange drawn by responsible banks or bankers, at the discretion of the manager, may be purchased by the Federal reserve bank, subject to regulations of the board of directors.

(i) The liability, direct or contingent, unless secured, of any bank or banker member or nonmember shall at no time exceed ----- per centum of the capital, surplus, and undivided profits of such bank or banker where the amount of capital, surplus, and undivided profits is published by requirement of law. Where such capital, surplus, and undivided profits is not so determinable, to not exceed an amount to be fixed as a line by the board of directors, subject to review by the Federal Reserve Board.

(j) The outstanding liability of any foreign individual, firm, corporation, bank, or banker, by reason of acceptance on unmatured bills of exchange held or rediscounted by the reserve bank shall at no time exceed ----- per centum of the capital, surplus, and undivided profits of such bank or corporation, and where the capital, surplus, or undivided profits are not so determinable, to not exceed an amount to be fixed by the board of directors, subject to review by the Federal Reserve Board.

(k) The liability of any individual, firm, or corporation as drawer or indorser of any check, draft, bill of exchange, or other instrument negotiated by a Federal reserve bank in its foreign operations shall not exceed a line to be fixed by the board of directors, subject to review by the Federal Reserve Board, and a record shall be kept of the total liabilities of each individual, firm, or corporation.

(l) A Federal reserve bank shall not purchase and have outstanding at any time in unmatured drafts drawn on foreign points, where the documents underlying such drafts are to be surrendered against payment only, an amount in excess of ----- per centum of the total amount available for use in foreign exchange operations by such Federal reserve bank.

(m) A Federal reserve bank shall purchase foreign gold coins of fineness fixed under the laws of the country where such coins were minted at the mint price of \$20.6718+ per fine ounce whenever such coins are presented to it, and such coins, whensoever and howsoever acquired, shall constitute a part of the gold reserve of the bank; providing, however, that at no time does such amount of foreign gold coins exceed in amount ----- per centum of the amount of gold the bank is obliged to maintain by law.

(*) Whenever a Federal reserve bank purchases cable transfers from member or nonmember banks or bankers, or any other parties whatsoever, payment for the equivalent shall not be made until the reserve bank is advised by telegraph of the receipt of such payment by its foreign agent or branch, unless otherwise guaranteed.

(c) Whenever the Federal reserve bank sells cable transfers it shall be in receipt of payment before it may direct such transfer.

(p) On all purchases or sales of bills of exchange and other instruments except cable transfers by a reserve bank payment shall be made, in the case of purchase to and in the case of sale by a Federal reserve bank, immediately upon delivery of the bills of exchange or other instruments purchased or sold.

(g) Any or all of the restrictions imposed by these regulations may be temporarily suspended by the Federal reserve agent, subject to review by the Federal Reserve Board.

III. CORRESPONDENTS.

(a) There may be selected as required in each principal banking center of the world at least one bank or banker as correspondent, subject to the consent of the Federal Reserve Board. From time to time, or as the requirements of increased business may direct and subject to the consent of the Federal Reserve Board, the number of correspondents in any banking center may be increased to two, except as provided in the following paragraph.

(b) Wherever possible all correspondents of the Federal reserve banks shall be branches of American banks established in such foreign banking centers, and where there may be more than one branch of an American bank the business of the Federal reserve bank shall be distributed among such branches in the approximate ratio that the several banks' capital and surplus shall bear to each other.

(c) Such correspondent shall render a daily report of receipts, disbursements, discounts, and any and all operations undertaken at the direction of or for the account of a Federal reserve bank.

(d) Such correspondent shall render a monthly statement of the account of each Federal reserve bank showing in detail all entries to its account and a memorandum of all interest accrued and charges, showing such charges in detail. It shall further send a monthly schedule of all bills of exchange, drafts, or other instruments, or other property that it may hold on behalf of a Federal reserve bank, indicating amount, drawee or acceptor, maturity, and collateral to such instrument, if any.

(e) Such correspondent shall once each week provide each reserve bank with a statement of the contingent liabilities of the reserve bank by virtue of indorsement on bills of exchange or other instruments which have been discounted or sold on behalf of and for the account of the reserve bank.

(f) There shall exist between the reserve banks and correspondents a secret code suitable to the transaction of their operations and messages under such code shall be protected by a cipher in the possession of the senior officers of the reserve banks, the managers, and their immediate assistants.

IV. BRANCHES.

(a) The board of directors of each Federal reserve bank may from time to time, subject to the consent of the Federal Reserve Board, establish such foreign branches as may be deemed necessary or expedient, and unless at the express direction of the board of directors or the Federal Reserve Board each branch shall use (as fixed working capital) an amount not in excess of ----- per centum of such reserve bank's demand liabilities after deducting from such liabilities the amount of gold and lawful money on hand or in transit to the bank.

(b) All foreign branches shall be officered by the following, seniority in the order given: (1) Manager, (2) assistant manager, (3) accountant.

(c) These officers shall receive remuneration to be fixed by the board of directors.

(d) The manager shall have entire charge of the branch, subject to the direction of the Federal reserve bank or banks creating such branch. His duties shall consist of selecting the branch's investments, developing new business, buying and selling bills of exchange, gold coin, bullion, obligations of the United States, or any other security eligible by law to be negotiated, subject

to the regulations of the home office. He and his assistants shall be responsible for all monies, securities, and any and all assets of the branch and shall make such provision for their safeguarding as may be deemed necessary.

(e) The assistant manager shall have charge of the staff and the office, and shall assume charge in the absence of the manager.

(f) The accountant shall have entire charge of the accounts and records of the branch. He and his assistant or assistants shall make such examinations from time to time as they may deem necessary or as they may be directed. He shall render a daily balance sheet to the manager and shall submit to the reserve bank such statements of the affairs of the branch as are required by the regulations. In the absence or disability of both the manager and assistant manager, the accountant shall assume charge of the branch.

(g) A branch shall make a daily report by mail of its operations to the reserve bank, accompanying which shall appear the copy of the balance sheet of such branch as of the close of business the preceding day, and shall submit a weekly report of all contingent liabilities by indorsement of bills, etc., sold or discounted, and shall further submit a list of all liability of individuals, firms, or corporations to the branch whether as drawer, indorser, guarantor, or acceptor.

(h) On the last day of each calendar month the books of a branch shall take up in its profit and loss accounts and expense accounts all interest, commissions, expenses, and all other determinable incomes or expenditures, and an analysis thereof shall be submitted over the manager's signature to the reserve bank in duplicate—one copy to the president of the reserve bank and the other to the manager of the foreign-exchange department.

(i) A schedule of all bills of exchange, drafts, checks, notes, or other securities and properties held by the branch shall be submitted once each month; such schedule shall indicate amount, drawee, acceptor, or payor, tenor, maturity, and collateral, if any.

(j) As of the close of business the last days of February, May, August, and November, the books of each branch shall be closed, clearing into profit and loss all amounts standing or accrued as income, or expense, and after charging off all bad debts the balance in profit and loss shall be transferred to the reserve bank.

(k) All losses shall be reported to the reserve bank over the signatures of at least two officers. Assets of questionable value shall be reported to the reserve bank and upon confirmation from the reserve bank may be written off.

(l) No clean bill of exchange, unless drawn by a bank or banker, shall be purchased by any branch except with the consent of at least two of the three officers of the branch, or a line on any name may be fixed by at least two officers of the branch within which line the clean bills of any individual, firm, or corporation may be bought. All matters of credit and responsibility of parties shall be subject to the concurrence of at least two officers, and further subject to approval by the home office.

(m) No draft drawn under a letter of credit may be purchased by any branch unless a specimen of letter of credit and signature of the party who issued it are on file, or unless confirmation has been received direct that such a credit is open and that drafts thereunder may be negotiated.

(n) The manager may at his discretion deal in or make loans on gold coin or bullion, and shall cause to be rendered to the reserve bank a detailed statement of such operations. The statement to indicate face value, weight, fineness, and specific value.

V. ACCOUNTING OF FOREIGN-EXCHANGE DEPARTMENT.

(a) The regulations covering the accounting system of the Federal reserve bank shall apply to the branches.

(b) The books of the foreign-exchange department shall be as follows: 1, General ledger; 2, general balance sheet; 3, journal; 4, cash-receipts book; 5, cash-disbursements book; 6, agency ledger; 7, branch ledger; 8, liability ledger; 9, remittance records; 10, draft records; and any other books that may become necessary from time to time in the opinion of the auditor.

(c) All books shall be bound books, except in cases where expediency requires it the books may be loose leaf, to which exceptions, however, the auditor must concur, and such provisions that he may make in the use of loose-leaf records shall be complied with.

(d) The general ledger of the department shall carry the control on all accounts in the department, showing each account separately, except in such

cases as the liabilities (see par. N), wherein one amount may be shown to control all accounts. The general ledger shall be posted daily in ink, and each page footed in ink and carried forward.

(e) The general balance sheet shall be a columnar book showing the daily balances in each account on the general ledger.

(f) The journal shall take up all entries not properly handled in the cash receipts or disbursement books, remittance or draft records. It shall be a columnar book, and after proof a recapitulation thereof shall be taken off and handed to the general bookkeeper.

(g) The cash receipts book shall record all receipts of cash or checks from whatsoever sources. All receipts of cash, unless controlled by preceding entries, shall be acknowledged, a copy of which receipt shall be taken up by the officer signing the original, and handed to the auditor. After proof each night a recapitulation shall be taken off and handed to the general bookkeeper of the department.

(h) The cash disbursements book shall record all cash paid or checks drawn. Unless such payment is controlled by previous entry no disbursement may be made without an order, initialed by the chief deputy, his assistant, or, in their absence, some temporary authority conferred by the president. After proof each night, a recapitulation shall be taken off and handed to the general bookkeeper of the department.

(i) The agency ledger shall record the transactions between the bank and its foreign agents. It shall be posted each day from the books of original entry, proved to the control on the general ledger at least once a week, reconciled and closed quarterly. As statements are received monthly they shall be verified to the postings made from returns indicated by the daily advices of the foreign agents. All charges incidental to the agent's operations must be recorded in a book provided for the purpose and verified and initialed by the deputy or his assistant, and subsequently checked and approved by the auditor.

(j) The branch ledger shall show the accounts of the branches with the head office; this ledger shall be posted from books of original entry, proved once a week to the general control, and reconciled to the branches' monthly statement.

(k) The liability ledger shall indicate the names of all parties upon whose indorsements or guaranties of acceptance exchange has been bought. The total of the line allowed, whether — per centum of the capital and surplus or the line approved by the board. (See Sec. II, par. 1.) As drafts mature or are accepted, and as the responsibilities of the parties terminate, the amount of such draft shall be deducted from the outstanding line. It shall also show the liability of all parties by acceptance on unmatured bill of exchange. (See Sec. II, par. j.) The balances appearing against any and all parties shall be reported to the board of directors each week.

(l) The remittance records shall contain the detail of all drafts, cable transfers, bills of exchange, etc., purchased and charged to agents or branches. This record may be loose leaf if expediency so demands and the auditor approves. No bill may be entered without an authorization of purchase signed by the deputy or his assistant. A recapitulation shall be given to the general bookkeeper at the close of each day.

(m) The draft book shall record all sales of checks, drafts, cable transfers, and other instruments drawn on and to be credited to any agent or branch. There shall be kept therein all the detail of such transaction and no draft, check, cable transfer, etc., may be drawn or consummated without an authorization signed by the deputy or his assistant. After proof, a recapitulation shall be handed to the general bookkeeper of the department.

(n) Among the control accounts on the general ledger shall appear an account liability by indorsement—per contra. Customers' liability on discounted paper. This figure shall be altered from time to time by means of a journal entry. As reports are received from the agents and branches (see Sec. III, par. F, and Sec. IV, par. G) the entries herein ordered shall be made.

(o) All expenses of the foreign exchange department, except those involved in the operation of accounts such as commissions, charges, foreign revenue stamps, etc. (see Sec. V, par. 1), shall be charged to expense account maintained on the general books of the bank and supported by a detail book.

(p) All interest receivable or payable, commissions, and other determinable income shall be accrued monthly; all profits on exchange operations shall be determined and set up in profit and loss account quarterly, and all branch returns shall be carried to profit and loss and an estimate of the profit for

the overlapping month shall be made and passed, based on the return on the average capital used the quarter just received.

(g) All profits and losses shall be cleared into the general profit and loss accounts of the bank on the last days of June and December.

(A discussion of the internal organization of the Federal Reserve Board submitted by the experts who prepared the recommendations herein offered is omitted as belonging primarily to the board itself.)

FEDERAL ADVISORY COUNCIL.

Section 12 of the Federal reserve act provides for a Federal advisory council to consist of as many members as there are Federal reserve districts. It is required that each Federal reserve bank shall by its board of directors annually select one member of the council, and that the said council shall meet at Washington at least four times a year, as well as oftener if called by the Reserve Board. The council is given power to select its own officers and adopt its own methods of procedure, and it is further given authority:

"By itself or through its officers (1) to confer directly with the Federal Reserve Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board. * * *

A review of the provisions of section 12 as thus set forth shows that the power of the organization committee and of the Federal Reserve Board in regard to the organization of the advisory council is only of a very broad general kind, probably extending no further than the mere making of suggestions. It is, however, recommended that the organization committee shall, in organizing Federal reserve banks, make some general recommendations to the said banks with reference to their participation in the task of creating this council. The following points are considered to be desirable in the organization of the council:

1. Appointment of members of the council, who shall at least at the beginning be active operating officers, preferably the presidents of the several Federal reserve banks.

2. Establishment of general headquarters in Washington with suitable representative in charge as agent, through whom requests and suggestions may be transmitted to the Federal Reserve Board, and who shall transmit information to the Federal reserve banks at his discretion or as may be asked by them.

3. Provision of reasonable allowances for this resident agent or officer of the advisory council. This point is specifically made subject to the approval of the Federal Reserve Board in the early part of section 12, and undoubtedly the recommendations made by the board at the beginning will be largely influential in determining the practice of the several reserve banks. The provision of a suitable mechanism at the outset will do a good deal toward starting the system upon right lines in the beginning, and it is believed that the general suggestions or recommendations already indicated ought to be applied.

Consideration should be given to the incorporation in the by-laws of the council of the following points:

(1) Designation of offices and election of officers.

(2) Powers and duties of officers.

(3) Stated quarterly conference at Washington between Federal Reserve Board and Federal advisory council.

(4) Audit of expenses and plan for semiannual budget.

Referring more specifically to the intent of the act in providing for conferences with the members of the Federal Reserve Board regarding all matters relative to the Federal reserve system, it would seem that the best results would obtain if the active executive officers of the banks of the system participated. The provision that the Federal advisory council "shall have power by itself or through its officers," implies the necessity of continuity of action at Washington in the performance of its duties. The executive officers of the Federal reserve banks manifestly would not be available as officers of the council. It is therefore suggested that it be deemed appropriate for the council to choose a paid officer or officers, who shall reside in Washington and maintain an office in the general interests of the Federal reserve banks. They should, of course, cooperate with the Federal Reserve Board in the general interests of the Federal reserve system.

If the paid officers of the Federal reserve banks are chosen as members of the Federal advisory council, as herein suggested, there would be no need for

their further compensation, other than traveling expenses and maintenance charges during the period of their meetings.

The compensation of the officers of the Federal advisory council, the office rent (unless otherwise provided by the Secretary of the Treasury), the maintenance of the clerical force, and other expenses, should be assessed upon the various Federal reserve banks in the same manner as is provided in the act for the payment of expenses of the Federal Reserve Board.

CODE BOOK.

The Federal reserve banks should be provided with a private code for use in the cable and telegraphic transmission of advices relative to their business. Such codes are in use in the more important existing banks, each such bank developing its own code, adapted to its own uses and employed for the purpose of transmission of cipher messages. It is recommended that such a code be developed for the joint use of the Federal reserve banks and of the Federal Reserve Board and that this be done at an early date, the work being placed in the hands of one of the recognized code experts who is familiar with existing methods of doing this work and who is trustworthy. In the system of clearing and transferring credits which has been worked out in the present report, there is a large field for the constant use of telegraphic advices; and the Federal Reserve Board will find that such advices will be largely relied upon in its own communications with the reserve banks. That such communication will in many instances be of a necessarily confidential nature is obvious and provision for a suitable means of guarding the messages during transmission, while reducing their length to a minimum should be promptly made.

ACCOUNTING SYSTEM.

(The subject of accounting for the Federal reserve banks is dealt with in Circular No. 7.)

PROCEDURE IN THE CONVENTION OF DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANKS.

Circular No. 9.]

FEDERAL RESERVE BOARD,

Washington, D. C., October 20, 1914—10.30 a. m.

1. Meeting was called to order by the chairman, the honorable Secretary of the Treasury.
2. Roll call of those present, by calling on the cities. The delegates from each city stood up in turn, giving their names.
3. Address of welcome by the chairman of the meeting.

POINTS TOUCHED UPON IN THE CHAIRMAN'S ADDRESS.

(A) The first object of the meeting was to give the Federal Reserve Board an opportunity to meet and form the acquaintance of the directors and officers of the various Federal reserve banks;

(B) To give these directors and officers an opportunity to meet each other. The whole Federal reserve system was predicated upon complete cooperation between the different reserve banks, and it was important that these directors and officers should get to know each other and understand each other's problems;

(C) The importance of developing some enthusiasm in the work; first, because the work involved many new and difficult problems, and second, because the country expected a great deal as the result of the introduction of this system;

(D) It was the hope of the board that the system would be put in operation at the earliest possible date, and the opinion had been expressed that by Monday, November 16, the reserve banks could open (by which time the Federal reserve notes were promised for delivery), not to perform all their functions, but to undertake at least some of them. No elaborate system was expected at the moment of opening, but it would be necessary to prepare to receive reserve deposits from the banks and to have rediscount machinery ready

for such part of the reserve as would be paid in by the banks. (In this connection, the Secretary of the Treasury was ready to cooperate as far as possible by offering the facilities of the various subtreasuries or mints.)

(E) It was proposed at this meeting to discuss many matters of common interest. Some of them might be properly taken up at this general meeting, at which all were present, while others might better be assigned to meetings of committees, which it was proposed to hold after the general meeting adjourned. The subjects were of a two-fold nature; on the one hand, questions of policy and regulations to be promulgated by the Federal Reserve Board upon which an exchange of views was desired, and on the other hand, subjects which affected the internal management of reserve banks. While the law contemplated that each bank should decide these questions largely for itself, it was clear to all concerned that uniformity was most desirable and this meeting had been called for the purpose of suggesting to all the banks a basis for discussion of these subjects.

(F) In view of the great public demand for early opening, it had been thought desirable that committees with representation from each bank should consider the various problems and if possible reach conclusions which they would submit to this conference at a subsequent session, and that after the approval by the conference of these reports uniform action might be suggested by the board to the several banks.

(G) It might be thought advisable for the Federal reserve agents to meet independently or with members of the board to discuss their duties and the best way of fulfilling them, and in a similar manner the governors or members of the advisory council might wish to hold meetings to discuss their own problems either with or without the presence of members of the board.

4. The governor of the board was then called upon to present to the convention various phases of the subject relating to details. He explained the work done by the Willis committee, mentioning that the gentlemen who did that work were present by invitation and had consented to place themselves at the disposal of the various subcommittees in order to aid in the work and give such information as the members desired. It was emphasized that the Federal Reserve Board did not want in any way to prejudge the findings or the conclusions of the reserve banks in matters which were under their own initiative, but at the same time very much desired to give them the advantage of the work already done, both in order to save time and to bring about ultimate uniformity. With these objects in view, tentative by-laws and organization charts had been sent to the members in advance of this meeting and some suggestions in respect to them had already been received.

5. To facilitate the work of the committees to be taken up upon the adjournment of this meeting it had been thought desirable to classify the work under various headings, assigning one or more members of the board or some specified expert to cooperate with committees selected from among the delegates. The following is a table of subjects and committees:

(a) A committee on legal matters and procedure: First, by-laws; acting with *Mr. Hamlin*. Second, other legal points and the preparation of legal forms; acting with *Mr. Elliott*.

(b) A committee on office quarters, equipment and personnel; acting with *Messrs. Delano and Dawson*. Topics to be taken up by this committee: Office quarters; vault space; organization of staff and matters affecting officers and directors, including compensation of directors and members of advisory council.

(c) A committee on rediscount, including definition of commercial paper and consideration of credit bureaus; acting with *Messrs. Warburg, Harding, and Broderick*.

(d) A committee on duties of Federal reserve agents, including under this heading the auditing of reserve banks; note issues; the clearing of national currency; acting with *Messrs. Williams, Miller, and Fisher*.

(e) A committee on accounting and statistics: Under this topic the committee will consider books and forms, statements to be forwarded to the Federal Reserve Board, etc.; acting with *Messrs. Willis, Benton, Robinson, and Ward*.

(f) A committee on domestic exchange (transit and clearing); acting with *Messrs. Harding, Ward, and Wolfe*.

(g) A committee on bonding of Federal reserve agents, members of their staff or other officers of the reserve banks; acting with *Messrs. Williams and Allen*.

(h) A committee on mechanical devices; acting with *Messrs. Delano and Ward* in connection with the keeping of accounts and statistics.

6. The chairman of the meeting then threw the subject open to general discussion, calling attention to the fact that foremost among the general topics upon which the board wished information was a response to the question, how soon the banks could be opened.

The meeting then adjourned, to reconvene subject to call of the Chair.

TRANSFER OF RESERVES TO FEDERAL RESERVE BANKS.

Circular No. 10.]

FEDERAL RESERVE BOARD,
Washington, October 28, 1914.

To all member banks:

The Secretary of the Treasury having advised the Federal Reserve Board that formal notice of the establishment of the several Federal reserve banks will be given to all member banks on November 16, it is necessary that arrangements be now made for the transfer of required reserves by the member banks to their respective Federal reserve banks. It is the desire of the board to arrange for the actual physical transfer of the first installment in such a manner as to create the least possible disturbance to business conditions in any city or section.

It is, of course, clear that if the banks in nonreserve cities undertake to make the necessary deposit of reserves with their Federal reserve bank by remitting checks or drafts on banks in reserve cities (which checks or drafts can be received by the Federal reserve bank for collection only), there may result an unnecessarily heavy withdrawal of funds from the banks in reserve cities. In the same manner, if banks in reserve cities make remittances of checks or drafts on banks in central reserve cities, an unnecessary burden may be placed upon the latter.

The deposits of reserves with Federal reserve banks must be made in gold or lawful money, and in order that the withdrawal of funds from the vaults of member banks may be as nearly uniform as possible and so distributed as to relieve any particular section or sections of unnecessary burden, the Federal Reserve Board urges all banks to ship from their own vaults gold or lawful money. The Federal reserve banks have been authorized to assume and pay the express charges involved in making such shipments.

The foregoing suggestions also apply to payments on account of the first installment of capital stock, due November 2.

In view of the advantage to be derived from the deposits of gold, which may be used as reserve for Federal reserve notes, it is strongly urged by the board that deposits of reserves in the Federal reserve banks be made, so far as practicable, in gold or gold certificates.

Due notice of the establishment of the Federal reserve banks on November 16 will be sent each member bank by the Secretary of the Treasury, and no transfer of reserve can be made until this is done.

Member banks of large resources will greatly facilitate the physical work of counting reserve money if they will send gold certificates in as large denominations as possible or clearing-house orders calling for gold certificates or gold already counted by the clearing-houses. The Federal Reserve Board appeals to the patriotic spirit of all member banks, large and small, to do their utmost in facilitating the difficult work now thrown upon the officers of the newly-created reserve banks, and to do all in their power to secure for the new system the greatest possible success from the beginning.

CHARLES S. HAMLIN, *Governor*.
H. PARKER WILLIS, *Secretary*.

Circular No. 11.]

CONVENTION OF OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS HELD AT WASHINGTON, D. C., OCTOBER 20-21, 1914.

REPORTS OF COMMITTEES.

REPORT OF COMMITTEE ON LEGAL MATTERS AND PROCEDURE.

The committee on legal matters and procedure begs leave to report that it has given consideration to the form of by-laws for the Federal reserve banks, and recommends the adoption of by-laws in the form submitted herewith.

While it is manifestly desirable that the by-laws of the several reserve banks should be substantially uniform, it appears to be necessary to have the article relating to executive committee (Art. II, sec. 1) modified to conform to conditions in the several districts so far as relates to the number of members of the committee to be chosen by the directors, their term of office and their qualification. For example, in some districts it may be desirable to increase the number, to choose a member from the class C directors, or to provide for rotation in office, and the matter may properly be decided by the directors of the several reserve banks.

Respectfully submitted.

ALLEN HOLLIS, *for the Committee.*

Adopted, October 21, 1914.

Draft of by-laws recommended by the committee on legal matters and procedure appointed at the conference of directors of Federal reserve banks with the Federal Reserve Board on October 20, 1914.

BY-LAWS OF THE FEDERAL RESERVE BANK OF-----

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every _____ at _____ o'clock — m., or, if that day be a holiday, on the first preseding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least _____ days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least _____ days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal reserve agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal reserve agent.*—The Federal reserve agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal reserve agent.

SEC. 3. *Deputy Federal reserve agent.*—In the absence or disability of the Federal reserve agent his powers shall be exercised and his duties performed by the deputy Federal reserve agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other

duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall open for business from _____ o'clock to _____ o'clock on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.

REPORT OF COMMITTEE ON OFFICE QUARTERS, EQUIPMENT, AND PERSONNEL, ORGANIZATION OF STAFF, AND MATTERS AFFECTING OFFICERS AND DIRECTORS.

Your committee on office quarters, equipment, and personnel, to whom was referred the following topics: Office quarters (including vault space), organization of staff, matters affecting officers and directors (including compensation of directors and members of advisory council), also the subject of telegraph code and proposed form of seal for Federal reserve banks, begs leave to report as follows:

First. In respect to office quarters, 10 of the reserve banks were represented by directors, who reported that suitable temporary quarters had been secured and quarters suitable for the opening of the banks (even if not definitely permanent quarters) could be obtained in the near future. After considerable discussion of the subject, the following resolution was offered and passed:

Resolved, That it is the sense of this meeting that the obtaining of quarters sufficient for the opening of the reserve banks can be arranged for at any reasonable date in the near future, and that the securing of suitable quarters should not occasion any delay in the opening of the reserve banks."

Second. The subject of the organization of the staff, the equipment, and the personnel was very fully discussed. No criticism was offered of the tentative organization chart. The general opinion was expressed that the banks would open with comparatively small forces, something in the nature of a skeleton organization, which might be expanded as the business of the banks grew. A force of 35 to 65 men was mentioned as adequate, in the opinion of the governors of a number of the banks, for beginning the operation of the banks. This, of course, would not include the handling of some of the functions, such, for example, as *foreign exchange* or the general *clearing of checks* between banks, which would necessarily require a large increment in the force. After a general discussion of the subject, the following resolution was offered and passed:

Resolved, That the matter of equipment and personnel of the Federal reserve banks be left to their respective boards of directors.

Third. The subject of a telegraph code was quite fully discussed, and the opinion was expressed that the members were not ready at this time to make a final recommendation. Thereupon the following resolution was offered and passed:

Resolved, That the Federal Reserve Board shall call upon each Federal reserve bank to submit in the near future the views of its board of directors upon the subject of a telegraph code."

Fourth. It was pointed out that under the Federal reserve act each bank was required to adopt a seal. After some discussion of the subject and an inspec-

tion of the seal of the Federal Reserve Board, the following resolution was offered and passed:

"Resolved, That the Federal Reserve Board be requested to send to each Federal reserve bank a design for form of seal, following in a general way the design adopted by the Federal Reserve Board for the center of the seal, but with appropriate lettering to indicate the name of the reserve bank, a monogram bearing its distinctive letter and number, and the date of its organization."

Fifth. The subject of compensation for deputy reserve agents and of the directors was freely discussed. It was pointed out that it was the duty of the directors of the various reserve banks to fix these compensations with the approval of the Federal Reserve Board. The discussion developed the fact that in some cases directors would have to travel long distances and, especially when serving on executive committees, would be compelled to give up a good deal of time. In view of the varying conditions which exist in the different reserve districts, the conclusion arrived at was formulated in the following resolution, which was offered and passed:

"Resolved, That in view of the varying conditions existing in the different districts, it is recommended that the matter of compensation of the deputy reserve agent, directors of the banks, the governor, and the member of advisory council be considered by the directors of each bank and a report of the conclusions arrived at by each reserve bank board be sent to the Federal Reserve Board for approval."

Submitted as the unanimous action of the committee.

Signed by—

THOMAS P. BEAL.
ARCHIBALD KAINS.
WILLIAM WOODWARD.
GEORGE J. SEAY.
EDWIN T. MEREDITH.
OSCAR FENLEY.
THEODORE WOLD.
CHARLES M. SAWYER.
OSCAR WELLS.
RICHARD L. AUSTIN.
W. H. PECK.
C. H. BOSWORTH.
J. F. OYSTER.
R. H. MALONE.
J. A. MCGREGOR.

Adopted by the convention October 21, 1914.

REPORT OF COMMITTEE ON REDISCOUNT, INCLUDING DEFINITION OF COMMERCIAL PAPER AND CONSIDERATION OF CREDIT BUREAUS.

The committee on rediscount, including definition of commercial paper and consideration of credit bureaus, has not confined its attention narrowly to the subject assigned, but with a desire to contribute to speediest determination has given consideration to a number of features more or less related.

The Federal Reserve Board deems it desirable that the Federal reserve system should be put into operation at the earliest possible date. In working to this end it is clear that a minimum number of functions should be undertaken at the outset. It is believed wise that an executive council should be formed, consisting of the 12 governors, with the deputy governors as alternates, to which should be referred the matter of determining the date and manner of undertaking, from time to time, such additional functions as the following:

1. Opening of branches of Federal reserve banks.
2. Open-market transactions.
3. Purchase and sale of United States Government bonds and municipal 6-month warrants.
4. Appointment of foreign agents.
5. Clearing and collection and determination of charges therefor.
6. Stipulation of charges to be collected by member banks from patrons for clearings and collections.
7. Dealing in gold coin or bullion and making loans thereon.
8. Purchase and sale of foreign exchange.
9. Purchase of bank acceptances.

10. Exchanging 2 per cent Government bonds for 3 per cent bonds and 1-year notes.

In order that the very minimum of machinery may be employed in the first days of operation it is thought that even (a) transfers between member banks and (b) transfers between Federal reserve banks should be deferred until the executive council suggested is satisfied that the necessary preliminaries have been arranged for such transactions.

While the reserve banks in the central reserve cities might possibly be put in operation a few days before other reserve banks, the matter of greatest moment is that country banks shall realize both their opportunity and patriotic duty to help at this juncture by making their initial payments out of the gold in their vaults.

In order to give the reserve banks the greatest lending power, and thus most efficiently aid member banks and general business interests, and in particular to meet the present emergency in foreign exchange, it is vital that as much as possible of the gold now held by member banks and that is now in circulation should be concentrated in reserve banks. At the outset the discount rates should be high enough to encourage initial payments in gold, with very moderate availing of the privilege of payment by rediscount. It is to be hoped that the pending amendment to the act may be adopted permitting member banks to carry with their respective reserve banks any portion of their required reserves. It seems also of prime importance that no tax shall be imposed upon Federal reserve notes. This would vastly facilitate the absorption by reserve banks of gold from circulation, while a tax on such notes would prevent. The payment of transportation charges by the issuing bank on shipments of Federal reserve notes to member banks would also be an important aid in concentrating gold in reserve banks. There should be continuous education of both member banks and the public and persistent planning in every proper way to induce cooperation in gathering gold into the reserve banks. Our commercial stability will be in direct proportion to the solidity of this gold basis of our credit structure. Too much importance can not be attached to the necessity of this cooperation and the mutual confidence growing out of it.

In the acceptance of paper for rediscount there must at first be wide latitude for the exercise of discretion, and it does not seem practicable at this time to attempt to define eligible paper in specific terms, nor should there now be discrimination between one-name and two-name paper. Steady effort should be made to develop bank acceptances, and when authorized for rediscount of domestic acceptances. The purpose of the reserve system is to help member banks by making credit sure, though not by making credit easy. Consequently, it must be found practicable to accept the best paper of each community, whether ideal or not. There should be the most persistent effort to so influence the habits of borrowing and lending that the paper offered for rediscount will be of a steadily improving character until it reaches and maintains the highest possible level of quality. Constant liquidation of loans is the most fundamental proof of a condition powerful to render aid. Paper rediscounted should therefore represent only temporary and not permanent investments, and preference by differential rates should be given to short maturities. Such paper may develop later as will render precise definition possible, but it now seems impracticable to do more than outline the principles determining the character of paper which should be accepted.

After the first few weeks no paper should be offered for rediscount except that given by a borrower from whom the member bank has received a financial statement. All such statements should be subject to the call of the rediscounting reserve bank, and a central credit bureau should be established making available for the whole system the information thus secured. Independent audits should be required in case of those desiring to borrow beyond a specified limit. The Comptroller of the Currency would doubtless be willing to cooperate through the examiners.

In rediscounting, a Federal reserve bank should not rest content merely because of the indorsement of a solvent member bank assuring against loss. It should recognize its larger duty to influence in every possible way the better conduct of both banking and general business. It is believed that careful investigation of all paper rediscounted and the development of a credit bureau for the benefit of the entire reserve system will conduce greatly to this end.

Respectfully submitted.

For the committee:

JOHN PERRIN, *Chairman*.

Adopted by the convention October 21, 1914.

REPORT OF COMMITTEE ON ACCOUNTING AND STATISTICS.

1. ACCOUNTING.

When the committee assembled it found that the preliminary organization committee had been working for several months on the preparation of a system of accounting which might be adopted by all the Federal reserve banks. Two systems had been prepared, each with a set of forms necessary to put it into effect, one of the systems having been completely developed as to form and detail, while the other was developed and presented in a more general way. The originators of both these systems were present and explained them in considerable detail to the committee.

After listening to the presentation of the systems it appeared to the committee that they were not fundamentally at variance. Both had the block system as their basis, and both in part developed the machine principle. The committee adopted as the basis for its considerations the block control and unit system outlined in the report of the preliminary organization committee, described in pages 129 to 169, inclusive, of their report, and found that to this system could be added, if desired, the following books of continuous permanent record included in the alternate plan: Register or tickler or both in the collection department; liability ledger and tickler in the loan and discount department; and members' journal and Government deposit journal in the general bookkeeping department. It appeared to the committee that this plan would provide for intermediate proofs, would give a simple and accurate basis for operation, provide for the expansion or contraction of business, and adapt itself to either a large or a small bank. It also appeared to be adapted to the exercise of a maximum or minimum number of functions of a Federal reserve bank.

During the short time allotted to the committee for its work it has been impossible to make a thorough study of the accounting systems presented, but the unit and block system referred to, which has been reproduced photographically for the consideration in detail by the respective banks, is recommended. It has been prepared by experts after several months of study, it has received the approval of the efficiency bureau of the Civil Service Commission, and has been in partial and successful use in several important banks for some years.

It of course must be understood that the adoption of this system does not preclude a bank from using the books with which its officers are familiar in the initial stages of its accounting, if necessary, until the system suggested is thoroughly installed.

Should the report and recommendations of this committee be adopted by the conference, it is suggested that the individual banks be given a reasonable opportunity to examine the plan in detail and suggest any needed amendments or corrections, after which it is recommended that they be requested to inform the secretary of the Federal Reserve Board of their approximate requirements, in order that the forms may be printed under his supervision, that each individual bank be billed direct for its proportionate amount of the cost of printing, and that at least four months' supply of the forms be ordered.

Changes will be found necessary in any accounting plan, and it seems desirable that in the future corrections or amendments be sent by the various Federal reserve banks to Dr. H. Parker Willis, chairman of the preliminary organization committee, for consideration and advice to the respective banks.

As the Federal reserve act provides that the foreign-exchange policy of the various Federal reserve banks shall practically be under the control of the Federal Reserve Board, it is recommended that such forms as may be necessary to carry out the purpose of the board be promulgated by it at such times as it may be desirable.

2. STATISTICS.

The adoption of the unit principle as suggested makes it quite practicable for each Federal reserve bank to supply the statistics that may be needed both for itself and as a basis of economic control for the Federal Reserve Board.

Your committee has examined the plan for the statistical department outlined in the report of the preliminary organization committee, and recommends the establishment of such a statistical bureau under the direction of the Federal Reserve Board. In general, however, the committee believes that the statistical work of each individual bank should be mainly developed on request for data originating in Washington. Compliance with these requests will make it necessary for each Federal reserve bank to collect the economic, financial, and busi-

ness data in its own district. This will give a basis for its economic control. It is therefore recommended that each Federal reserve bank establish a statistical department under the direction of one of its officers.

It is suggested that the Federal Reserve Board send from time to time to each Federal reserve bank a composite summary of the statistics collated, accompanied by an analysis developing what may be characterized as their economic significance.

The committee desires to express its appreciation of the valuable and painstaking work of the preliminary organization committee. It will expedite the organization of the banks, and we consider it a remarkable achievement to have prepared in advance a comprehensive and workable plan which seems to commend itself to all who have heard it explained and have examined the forms.

GEO. M. LA MONTE, *Chairman*.

This report was adopted October 21, 1914, by the convention, subject to such changes as should be recommended at the meeting of governors of Federal reserve banks to be held October 22, 1914.

The accounting system was examined by the governors of the Federal reserve banks, approved by them on October 22, 1914, and the forms are now being printed under the direction of the secretary of the Federal Reserve Board.

REPORT OF COMMITTEE ON DOMESTIC EXCHANGE.

CLEARINGS AND TRANSITS.

In view of the confusion which will arise from an attempt to handle the entire clearings by a new and untrained force, this committee recommends that the development be gradual, and that only very limited clearances be arranged for at the start; and this committee further recommends that at the outset as little divergence be made from the normal business procedure as possible to comply with the terms of the act, and that the Federal reserve banks join the clearing houses in the cities in which they are located as special members, subject to none of the clearing-house rules other than those directly affecting exchanges of checks.

On November 2, 1914, the first call for capital has been made payable. At the date of opening of the banks a call will be made for the first installment of reserves from each member bank, one-half of which may be paid in rediscounted paper.

Up to this point no checks need be handled. At that point you have created a credit which each member can draw against, therefore the bank should be prepared to receive on deposit checks drawn by members on their balances in Federal reserve banks.

We recommend that member banks be allowed to deposit for their credit at the outset any checks drawn by member banks on any Federal reserve bank or on member banks in reserve and central reserve cities.

In regard to the distribution of checks payable outside of each Federal reserve district, it is presumed that the full operations of clearances of that nature will be worked out in conjunction with the Federal Reserve Board should that body see fit to adopt a national clearing-house system.

It is presumed that each clearing house in a city where a Federal reserve bank is located will undoubtedly make arrangements to use the facilities of the Federal reserve banks in the settlement of balances to the extent that they see fit. Having in mind the fact that the banks will not be able to perform their full functions with respect to clearings at the very outset, it is therefore recommended that they start only with the partial plan above outlined, subsequently extending the function of collecting checks as they become able to do so.

EXCHANGE CHARGES.

Under the act it is evident that all items which may be legally deposited with the Federal reserve banks shall be accepted at par, and that charges for handling such items through the Federal reserve banks, based on the cost of overhead charges, clerk hire, including that of department management, stationery, postage, and equipment depreciation, shall be charged to the member banks upon which the items are drawn, and that this charge may be in turn made by the member banks to their depositors or customers.

This committee recommends that the charges be prorated on the number of items drawn on the member banks rather than on the amount of dollars.

And this committee further recommends that in adopting this report that these charges be applied solely to the administrative cost of handling of checks or items through the Federal reserve bank, and that the evident inequity of the law relating to the charges on checks, as we interpret the law, seems to this committee to suggest a great disadvantage to members against nonmembers and great disadvantages to members in the smaller communities against members in reserve cities, and we respectfully suggest that the attention of the Federal Reserve Board be called to these inequities, which seem to exist, and their consideration thereof be asked.

METHOD OF HANDLING MEMBERS' CHECKS IN FEDERAL RESERVE BANKS.

It is recommended by this committee that the Federal reserve bank charge members' checks against the balances of such members upon the day the checks are forwarded, and that members be allowed to use all checks on members of the same district as reserve the day such checks are forwarded to the Federal reserve bank; the same procedure as is now permitted in making remittances to reserve agents.

Respectfully submitted.

FREDERIC H. CURTISS, *Chairman.*
WM. MCC. MARTIN.
C. H. MCINTOSH.
M. B. HUTCHISON,
WALDO NEWCOMER.
LESLIE R. PALMER.

The above report was adopted by the conference after paragraph 4 had been amended as follows:

"We recommend that member banks be allowed to deposit for their credit at the outset, after the initial reserve and capital payments have been made, any checks drawn by member banks on any Federal reserve bank or on member banks in reserve and central reserve cities within their respective districts."

OCTOBER 21, 1914.

REPORT OF THE COMMITTEE ON BONDING OF FEDERAL RESERVE AGENTS, MEMBERS OF THEIR STAFF, OR OTHER OFFICERS OF THE RESERVE BANKS.

Your committee on bonding Federal reserve agents and their staff officers and employees of the banks beg to recommend:

First. That the bonds of each of the Federal reserve agents and their staffs shall be at least \$500,000.

Second. That the American Bankers' Association bond form, with phraseology modified to make it a blanket form, be adopted for bonding the Federal reserve agents, their staff, and all officers and employees of the banks.

Third. That all bonds be written in American companies approved by the Treasury Department.

Fourth. That after obtaining competitive rates for the security of the Federal reserve bank the several banks should secure their bonds in their respective localities, as far as possible.

Fifth. That the amount of the bonds to be given by the officers and employees should be determined by the directors of each bank.

Respectfully submitted.

J. Z. MILLER, Jr., *Chairman.*

The above report was adopted after the convention had voted to strike out the recommendation that the bonds of the Federal reserve agents and their staffs shall be at least \$500,000.

OCTOBER 21, 1914.

REPORT OF COMMITTEE ON MECHANICAL DEVICES.

Your committee on mechanical devices met in the office of Dr. Adolph C. Miller at 2.30 o'clock, October 20, and proceeded to give careful consideration to the subject before it, and begs to report as follows:

The committee decided that it could best serve the interests of the Federal reserve banks by avoiding details as largely as possible in its recommendations, as the requirements of the banks will vary according to size and other peculiarities, and for the further reason that, in its judgment, the naming of

machines and manufacturers could offer little advantage and might seriously prejudice the cause.

First. We recommend the general use of standard mechanical devices by the banks to as great an extent as such devices can be employed to the most economical end.

Second. We suggest that inasmuch as a council of the governors of the banks will be held immediately following this meeting, this subject be referred to them for final solution; and we make this further recommendation:

Inasmuch as the 12 Federal reserve banks will collectively buy a great number of all kinds of machines, a plan should be devised whereby concessions can be obtained in the matter of the cost of same; and, looking to that end, we recommend that the council of governors take action promptly to receive bids from all manufacturers of standard mechanical office devices, those bidding to agree to supply a part or all of any bank's requirements and to make deliveries of equipment at as early a date as same may be required. The bids should state the price to be paid for each machine, and each firm, company, or person offering a bid should be bound by same to furnish as many of the machines as may be required by each of the 12 Federal reserve banks for a period of 12 months from the date of the opening of the banks. Each bank should be furnished with a list of the machines and prices, and be privileged to buy any machine desired, or to pursue its independent course if it so elects.

Attention is called to the General Supply Committee, which is the agency through which the Government departments jointly buy supplies. It is possible that an arrangement could be effected by which the Federal reserve banks could order their labor-saving devices, etc., through this agency, thus availing themselves of the low prices obtainable by the Government. We call the attention of the council of governors to same as information, without recommendation.

F. W. FOOTE, *Chairman.*

Adopted, October 21, 1914.

Circular 11a.]

REPORT OF THE COMMITTEE ON DEFINITION OF THE DUTIES OF THE FEDERAL RESERVE AGENT AND DEPUTY FEDERAL RESERVE AGENT.

[Submitted at conference of officers and directors of Federal reserve banks, Washington, Oct. 20-21, 1914.]

The committee on definition of the duties of the Federal reserve agent and deputy Federal reserve agent has directed its consideration rather to the implication than the specification of the law.

The motive of a member bank is profit, that of a Federal reserve bank is service. Greed for profit may incite to undue risks and sometimes to crime, resulting equally in wreck, but it is inconceivable that a desire to serve member banks could be so distorted, or an eagerness to earn 6 per cent so obsessing that either would urge the risk of failure. The managers of such a quasi-public institution have every incentive to guide it directly along the very path which the Government would point out. There is no conflict of interest.

One aspect alone suggests a possible exception to this general truth. It is conceivable that a disposition might arise to grant an undue proportion of discounts to certain banks from personal favoritism or to banks of certain sections from political considerations. Supervision by the Federal reserve agent, himself powerless to encompass such favors, would be a safeguard, essential in so far as needed to assure continuously equitable and impartial administration.

Important honor can not be gleaned from being the Government's agent for the purpose of guarding its millions intrusted to a Federal reserve bank. The Government's money is the people's money. Where could it better be placed than in a Federal reserve bank, organized with the high purpose of service to the whole people and safe beyond peradventure? And if lodged with the Federal reserve agent, joint custody would so minimize the special responsibility as even to render the amount of his fiduciary bond unimportant.

Nor does the Government's representative perform vital service in selecting security for Federal reserve notes on the ground that they are the obligations of the Government. Analysis compels the conclusion that the Government has only a contingent liability as guarantor, which is so remote as to be negligible.

No dignity of title nor compliment of precedence can alter the fact that a Federal reserve agent's specific routine duties have only the importance of those of a trusted auditor clerk.

It serves a useful purpose to constantly prove the quality of a reserve bank, and this justifies the Federal reserve agent's supervision in Government behalf, even if unnecessary. More important functions, however, must be performed to justify his position as chairman of the board. There should be no attempt at specific definition of larger duties, but there may properly be suggestion of larger opportunities open to the trusted representative of the Federal Reserve Board, the relation of which to the reserve banks is that of wise, inspiring guide, and not that of suspicious critic.

Cooperation is a fundamental essential to the success of the reserve system—its keynote. The measure of cooperation will be the measure of its success. Equally with the governor, the chairman of the board, as the local incarnation of the Federal Reserve Board, should keep steadily in view, no matter how distant, the goal of a Federal reserve bank—a unified banking machinery in the district, serving its every sound interest with largest helpfulness and highest efficiency and bearing its share of responsibility in national and international transactions. Not only should member banks be informed, but nonmember banks should be influenced to become members, even if to that end they must effect wise modifications of the act or of State laws to render membership possible and advantageous. An incidental benefit of larger volume by increased membership would be the reduced percentage of overhead expense, though, when fully under way, the operating cost is not likely to absorb an undue proportion of a reserve bank's earnings. By patient explanation in public and in private and through the cooperation of patriotic newspapers the purpose, scope, and limitations of a reserve bank should be made known, to gain for the system the full faith and powerful safeguard of an enlightened public opinion. In this endeavor, as opportunity offers, visits should be made from time to time to various parts of the district. If not on occasions of public gatherings, with incidental public utterance, such visits may be even more fruitful in giving better opportunity to gain close acquaintance and enlist earnest cooperation. The traveling expenses incurred, properly modest as for all engaged in public work, could not fail to be fully justified.

An eminent authority has said that a banker has no imagination, and should have none; that he deals only with facts as they develop from day to day. The soundness of this is clear. That is banking as a trade. That is the president of a member bank operating with primary regard for profit. But the chairman and the governor of a Federal reserve bank should view banking as a profession and with vast imagination. They should picture every possible development of trade and industry, and with unselfish devotion seek to be creative agents for its realization. They should seek to exert a benign and inspiring influence not alone upon the banking interests of the district, but upon every business interest, at times giving convincing reason for restraint, at times giving steadfastness for endurance, and again giving courage for new enterprise. They should seek to interpret to the intelligent satisfaction of the whole district that steady, regulating influence which is the underlying principle of the Federal reserve act and enlist cooperation in its application.

While the chairman will doubtless be the channel through which the Federal Reserve Board usually communicates with the directors of a Federal reserve bank, yet to give fullest information and clearest insight both governor and chairman should render reports. The views of the governor would reflect the observations and impressions gained from intimate daily touch with those having transactions with the bank. The chairman's views would be those of one a little apart from the stress of management though fully informed of its details, the more dispassionate survey of one observing rather than doing. Both would naturally come into close acquaintance with the thoughtful and informed leaders in commerce and industry throughout the district, having rare opportunity to gain fundamental knowledge of both apparent and potential forces.

The chairman of the board should be the partner of the governor, each supreme in his own department, assuming joint responsibility, with votes of equal power, in the executive committee, over which the governor would naturally preside as the one charged with the responsibilities of operation. There could be no conflict of authority, though continued disagreements of judgment, if over transactions which by their repetition constituted a policy disapproved by the Federal Reserve Board, would necessitate the governor's eventual change

of attitude. Neither should have the attitude of a watcher of the other, as both would have the same incentive for the bank's excellence. The auditor would naturally report to the executive committee.

The independence of the class C directors, as Government representatives, should be carefully preserved. The law provides that the Federal Reserve Board shall determine the salary of the chairman of the board, though paid by the bank. Consistently with this principle, the salary of the deputy chairman and of the third class C director, to the extent that they are actively engaged in the work of the bank, should be determined in like manner, and not by the board of the reserve bank.

It is to be assumed that all affairs of the bank will be conducted in closest and most harmonious cooperation, but this is best assured by clear statement of authority. The nature of the duties will require a considerable force of assistants in the department of the chairman of the board. Experience alone can determine, and doubtless not uniformly in all reserve banks, the extent of the organization which will be found advantageous for this department. Among other things, the auditing could properly be included. A department of bank examinations, operating in conjunction with the comptroller's office, would also seem a natural part of such a department. The conduct of a credit bureau, however, for information regarding those borrowing from member banks, would seem more properly a part of the governor's operations.

For effectiveness each chairman must, of course, have broadest latitude for action at discretion without delay for consultation and without red tape. This renders it vital that each should come into frequent association with the Federal Reserve Board for the more intimate understanding of the board's desires. If the chairmen of the several reserve banks should have a periodical joint conference with the Federal Reserve Board, perhaps twice each year, this purpose would be served. They would thus also learn general conditions, and, not least, they would gain new inspiration.

From such a view of the organization of the department and of the illimitable opportunities for useful and patriotic service the office of chairman of the board is one of greatest responsibility, and calls for steadfastness, wisdom, and statesmanship.

Respectfully submitted.

For the committee:

JOHN PERRIN, *Chairman*.

WASHINGTON, D. C., October 22, 1914.

Circular No. 12.]

STOCK SUBSCRIPTIONS OF MEMBER BANKS.

FEDERAL RESERVE BOARD,
Washington, November 6, 1914.

Section 2 of the Federal reserve act requires all national banks to signify within 60 days after the passage of the act whether or not such banks intend to become members of the Federal Reserve System, and also requires those banks which accept the provisions of the act to subscribe to an amount equal to 6 per cent of the unimpaired capital and surplus of such banks within 30 days after notice from the organization committee.

In allotting the stock to banks the organization committee adopted as a basis of allotment the capital and surplus of the applying bank at the time its application was filed. Accordingly, the transcript of the stock register forwarded to you to enable you to open your stock ledger shows the amount of capital stock of your bank allotted to the various member banks by the organization committee on the basis described.

Section 5 of the Federal reserve act reads as follows:

"The capital stock of each Federal reserve bank shall be divided into shares of \$100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to six per centum of the said

increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to six per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of one per centum a month from the period of the last dividend. When the capital stock of any Federal reserve bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal reserve bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of one per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal reserve bank."

In order that your records may show the original subscription of all applying banks, your stock ledger should contain the amount allotted to each bank by the organization committee. The increase or decrease of capital stock of any member bank should likewise appear on your stock ledger as a separate item.

Your attention is called to the note on the back of the application for stock in the Federal reserve banks for use by member banks, which reads as follows:

"If 6 per cent of the capital and surplus shown amounts to a sum not divisible by 100, any excess or fractional part of \$100 will entitle the applying bank to one additional share of stock. Accordingly, in filling out the subscription on the reverse side of this form, the sum representing 6 per cent of the capital and surplus should be divided by 100 in order to obtain the number of shares to be applied for, and if an excess of less than \$100 remains, one additional share should be added to the application and included in the subscription of stock to be paid for at par in accordance with the provisions of the Federal reserve act."

From this you will observe that if 6 per cent of the capital and surplus of any applying bank amounts to a sum not divisible by 100, any excess or fractional part of \$100 would entitle the applying bank to one additional share of stock. Accordingly, it may happen that a bank has already been allotted a share of stock for a fractional part of \$100. In such case, if the applying bank increases its capital stock, its total allotment should be for an amount equal to 6 per cent of its total capital and surplus, including the increase. Therefore, in order to ascertain the amount of new stock to be issued such bank it will be necessary to determine to what amount the bank is entitled in toto and then to deduct the number of shares of stock previously allotted.

Forms for use by banks applying for additional stock will be furnished to the several Federal reserve banks or to any applying bank, and these applications when properly filled out should be sent first to the Federal reserve bank of the appropriate district and by the officers of such reserve bank to the Federal Reserve Board for approval.

Pending the adoption of these forms by the Federal Reserve Board all Federal reserve banks should collect from the subscribing banks an installment equal to one-third of the stock allotted to such bank by the organization committee, and should subsequently adjust on the stock ledger of the Federal reserve bank the matter of any additional stock subscribed.

DECREASE IN CAPITAL STOCK.

In case of decrease of capital stock and surplus of any member bank the Federal reserve bank should likewise collect from the subscribing bank as its first installment an amount equal to one-third of the stock allotted to such bank by the organization committee, and should subsequently adjust with such bank any amount due on account of any decrease either in capital or surplus.

In all cases where a subscribing bank notifies the Federal reserve bank of increase or decrease, this notice should be transmitted to the Federal Reserve Board for its action.

It is important that the records of the Federal Reserve Board, the Federal reserve bank, and the Comptroller of the Currency should be in accord at all times, and to this end notice of any change in capital and surplus should be transmitted to the Federal Reserve Board when received from any member bank.

The subscribing bank should be notified by the Federal reserve bank of this method of adjustment whenever any increase or decrease of capital stock or surplus is called to the attention of the Federal reserve bank.

STATE BANK APPLICATIONS.

The same method should be adopted in dealing with State bank subscriptions. The by-laws governing conditions under which State banks may become members and a form of application for stock subscription by State banks will be furnished to all Federal reserve banks in due course, with full instructions. In the meantime Federal reserve banks should collect the first installment from those State banks which have been allotted stock by the reserve bank organization committee. All other applications for stock should be referred to the Federal Reserve Board.

H. PARKER WILLIS, *Secretary.*

Circular No. 12a. (Superseding Circular No. 12.)]

STOCK SUBSCRIPTIONS OF MEMBER BANKS.

NOTE.—Attention is called to corrections in heavy type on page 2 of this circular, showing that amount to be paid as first installment is equal to one-sixth instead of one-third of amount allotted by Reserve Bank Organization Committee.

FEDERAL RESERVE BOARD.
Washington, November 25, 1914.

Section 2 of the Federal reserve act requires all national banks to signify within 60 days after the passage of the act whether or not such banks intend to become members of the Federal reserve system, and also requires those banks which accept the provisions of the act to subscribe to an amount equal to 6 per cent of the unimpaired capital and surplus of such banks within 30 days after notice from the organization committee.

In allotting the stock to banks the organization committee adopted as a basis of allotment the capital and surplus of the applying bank at the time its application was filed. Accordingly the transcript of the stock register forwarded to you to enable you to open your stock ledger shows the amount of capital stock of your bank allotted to the various member banks by the organization committee on the basis described.

Section 5 of the Federal reserve act reads as follows:

"The capital stock of each Federal reserve bank shall be divided into shares of \$100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to 6 per centum of the said increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to 6 per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of 1 per centum a month from the period of the last dividend. When the capital stock of any Federal reserve bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be

executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal reserve bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of 1 per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal reserve bank."

In order that your records may show the original subscription of all applying banks, your stock ledger should contain the amount allotted to each bank by the organization committee. The increase or decrease of capital stock of any member bank should likewise appear on your stock ledger as a separate item.

Your attention is called to the note on the back of the application for stock in the Federal reserve banks for use by member banks, which reads as follows:

"If 6 per cent of the capital and surplus shown amounts to a sum not divisible by 100, any excess or fractional part of \$100 will entitle the applying bank to one additional share of stock. Accordingly, in filling out the subscription on the reverse side of this form, the sum representing 6 per cent of the capital and surplus should be divided by 100 in order to obtain the number of shares to be applied for; and if an excess of less than \$100 remains, one additional share should be added to the application and included in the subscription of stock to be paid for at par in accordance with the provisions of the Federal reserve act."

From this you will observe that if 6 per cent of the capital and surplus of any applying bank amounts to a sum not divisible by 100, any excess or fractional part of \$100 would entitle the applying bank to one additional share of stock. Accordingly it may happen that a bank has already been allotted a share of stock for a fractional part of \$100.

INCREASE IN CAPITAL STOCK.

In the event of any increase in capital stock or surplus by a member bank its total allotment should be for an amount equal to 6 per cent of its total capital and surplus, including the increase. Therefore, in order to ascertain the amount of new stock to be issued such bank it will be necessary to determine to what amount the bank is entitled in toto and then to deduct the number of shares of stock previously allotted.

Forms for use by banks applying for additional stock will be furnished to the several Federal reserve banks or to any applying bank, and these applications when properly filled out should be sent first to the Federal reserve bank of the appropriate district and by the officers of such reserve bank to the Federal Reserve Board for approval.

Pending the adoption of these forms by the Federal Reserve Board all Federal reserve banks should collect from the subscribing banks an installment equal to one-sixth of the stock allotted to such bank by the organization committee, and should subsequently adjust on the stock ledger of the Federal reserve bank the matter of any additional stock subscribed.

DECREASE IN CAPITAL STOCK.

In case of decrease of capital stock and surplus of any member bank the Federal reserve bank should likewise collect from the subscribing bank as its first installment an amount equal to one-sixth of the stock allotted to such bank by the organization committee, and should subsequently adjust with such bank any amount due on account of any decrease either in capital or surplus.

In all cases where a subscribing bank notifies the Federal reserve bank of increase or decrease, this notice should be transmitted to the Federal Reserve Board for its action.

It is important that the records of the Federal Reserve Board, the Federal reserve bank, and the Comptroller of the Currency should be in accord at all times, and to this end notice of any change in capital and surplus should be transmitted to the Federal Reserve Board when received from any member bank.

The subscribing bank should be notified by the Federal reserve bank of this method of adjustment whenever any increase or decrease of capital stock or surplus is called to the attention of the Federal reserve bank.

STATE BANK APPLICATIONS.

The same method should be adopted to dealing with State bank subscriptions. The by-laws governing conditions under which State banks may become members and a form of application for stock subscription by State banks will be furnished to all Federal reserve banks in due course, with full instructions. In the meantime Federal reserve banks should collect the first installment from those State banks which have been allotted stock by the reserve bank organization committee. All other applications for stock should be referred to the Federal Reserve Board.

H. PARKER WILLIS, *Secretary.*

Circular No. 13.]

FEDERAL RESERVE BOARD,
Washington, November 10, 1914.

To all Federal reserve banks:

In view of the impending opening of the Federal reserve banks, the Federal Reserve Board deems it proper to outline in this circular, in broad general terms, the discount policy which it believes might be pursued to advantage by the Federal reserve banks at the outset.

While the most acute stage of the recent financial emergency appears to have passed, the conditions in other countries make it necessary that the United States should, to the utmost degree of efficiency, organize and make available its own resources in order that it may provide for its own needs and replace the facilities suddenly destroyed by the closing of so many of the accustomed channels of credit and trade.

The directors and governors of the Federal reserve banks at a conference in Washington on October 20 and 21 recommended that the banks be opened without attempting at the outset to perform all the functions and duties contemplated in the act, but that they be prepared to accept deposits of reserves payable in lawful money, to discount bills of exchange and commercial paper, and to accept the deposit (after the reserve payments had been made) of checks drawn by member banks on any Federal reserve bank or member banks in the reserve and central reserve cities within their respective districts. It was the opinion of the conference that arrangements for the exercise of the additional powers granted by the act to the Federal reserve banks be completed as rapidly as the establishment of safe and efficient organizations would permit. The Federal Reserve Board is in accord with these suggestions.

It should be borne in mind that, although our exports are showing a gratifying increase, there is still a large cash balance due to European countries for which gold may be demanded, and that a large quantity of American securities held abroad may be returned to the United States, while on the other hand more than \$300,000,000 of emergency currency must be gradually retired. No one can estimate the duration of the war or predict what will be the financial and commercial conditions when peace shall be restored. Our own industrial development has been greatly facilitated by foreign capital, and we have been accustomed to borrow large sums annually in Europe and to sell American securities there, which attracted foreigners because of their higher rate of return as compared with European investments. It is probable that at the end of the war interest rates in Europe will be higher than they have been in the past and greater investment returns will be yielded. The tremendous destruction of property and waste of capital will not only check the flow of European savings to the United States, but may dispose foreign investors to return us the securities they now hold. Lower money rates in this country would be likely to accentuate this tendency, while, on the other hand, higher interest rates and larger investment returns on our side would check it.

The function of the Federal reserve banks is, therefore, of a twofold character. They should extend credit facilities, particularly where the abnormal conditions now prevailing have created emergencies demanding prompt accommodation; and, on the other hand, they must protect the gold holdings of this country in order that such holdings may remain adequate to meet demands that may be made upon them. While credit facilities should be liberally extended in some parts of the country, it would appear advisable to proceed with

caution in districts not in need of immediate relief and to await the effect of the release of reserves and of the changes which the credit mechanism of the country is about to experience before establishing a definite discount policy.

Commercial paper.—The Federal Reserve Board, under section 13 of the Federal reserve act, has the right to determine or define the character of paper eligible for discount, to wit, "notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes."

Bearing in mind the requirements of the present situation, the Federal Reserve Board believes that it would be inadvisable at this time to issue regulations placing a narrow or restricted interpretation upon the section defining the character of paper eligible for discount. It has therefore been decided not at this time to enter upon the discussion of the question of single or double name paper, but to admit both forms of bills to rediscount with the Federal reserve banks.

The Federal Reserve Board proposes, however, to prescribe the following basic principles for the guidance of Federal reserve banks and member banks:

(a) No bill shall be admitted to rediscount by Federal reserve banks the proceeds of which have been or are to be applied to permanent investment, and regulation No. 2 has been formulated with the intention of giving effect to this principle, and is herewith inclosed.

(b) Maturities of discounted bills should be well distributed. It is the well-established practice of European reserve banks to invest only in obligations maturing within a short time. It is a general rule not to purchase paper having more than 90 days to run. The maturities of these notes and bills are so well distributed as to enable those banks within a short time to strengthen their hold on the general money market by collecting at maturity or by reinvesting at a higher rate a very substantial proportion of their assets. Acting on this principle, the Federal reserve banks should be in position to liquidate, whenever such a course is necessary, substantially one-third of all their investments within a period of 30 days. Departure from this principle will endanger the safety of the system. It is observance of this principle that affords justification for permitting member banks to count balances with Federal reserve banks as the equivalent of cash reserves.

(c) Bills should be essentially self-liquidating.

Safety requires not only the bills¹ held by the Federal reserve banks should be of short and well-distributed maturities, but, in addition, should be of such character that it is reasonably certain that they can be collected when they mature. They ought to be essentially "self-liquidating," or, in other words, should represent in every case some distinct step or stage in the productive or distributive process—the progression of goods from producer to consumer. The more nearly these steps approach the final consumer the smaller will be the amount involved in each transaction as represented by the bill, and the more automatically self-liquidating will be its character.

Double-name paper drawn on a purchaser against an actual sale of goods affords, from the economic point of view, prima facie evidence of the character of the transaction from which it arose. Single-name notes, now so freely used in the United States, may represent the same kind of transactions as those bearing two names. Inasmuch, however, as the single-name paper does not show on its face the character of the transaction out of which it arose—an admitted weakness of this form of paper—it is incumbent upon each Federal reserve bank to insist that the character of the business and the general status of the concern supplying such paper should be carefully examined in order that the discounting bank may be certain that no such single-name paper has been issued for purposes excluded by the act, such as investments of a permanent or speculative nature. Only careful inquiry on these points will render it safe and proper for a Federal reserve bank to consider such a paper a "self-liquidating" investment at maturity.

Turning now to the question of procedure, it is not thought necessary to impose upon the banks the observance of methods which would involve needless difficulty or delay. It is therefore not deemed essential that a statement of condition be attached to each bill when sold to a Federal reserve bank. It is,

¹ For brevity's sake, the words "bills" and "notes" whenever used in these paragraphs include bills, notes, and drafts, as specified in the act.

however, thought advisable by the board to require that on and after January 15, 1915, no paper shall be discounted or purchased by Federal reserve banks that does not bear on its face the evidence that it is eligible for rediscount under the principles and definitions above outlined and as expressed in regulation No. 2, and that the seller of the paper has given a statement to the member bank. A rubber stamp stating, in substance—

ELIGIBLE FOR REDISCOUNT WITH
FEDERAL RESERVE BANKS
UNDER REGULATIONS OF
FEDERAL RESERVE BOARD CIRCULAR NO. 13.
CREDIT FILE No. _____.
DISTRICT No. _____.
(Name of Member Bank.)

is considered sufficient evidence to that effect at this time. It would be understood that the Federal reserve bank could at any time call for the appropriate credit file, and it may be expected that the data thus gathered—particularly the files of more important firms and of those rediscounting in larger bureau which, in turn, may eventually develop into a central credit bureau for the benefit of all the Federal reserve banks of the system.

amounts—will be so catalogued as to furnish the nucleus of an effective credit

For the time being certified accountants' statements will not be required. This matter is reserved for regulation at a later date. The required statement as outlined above should be signed under oath and should contain a short general description of the character of the business, the balance sheet, and the profit and loss account. Assets should be divided into permanent or fixed investments, slow assets, and quick assets. On the liability side should be shown capital, long-term loans, and short-term loans. Short-term loans should be in proper proportion to quick assets, and the statement should contain satisfactory evidence that short-term paper is not being sold against permanent or slow investments. The statement should furthermore show the maximum aggregate amount up to which the concern supplying this paper expects to borrow on short credit or sale of its paper, and the concern giving the statement should obligate itself to obtain the member bank's consent before exceeding the agreed limit. The affixing of the stamp stating such paper to be eligible for rediscount will be considered a solemn and binding declaration by the member bank that the statement has been examined from this point of view and that the paper bought complies with all the requirements of the law and the regulations hereby imposed.

The board appends two additional regulations: No. 3, covering discount transactions on or before January 15; No. 4, discount operations on and after January 15.

Six-months' paper.—The law provides that the Federal Reserve Board shall fix the percentage of its capital (by which is understood that portion of the capital paid in) up to which a Federal reserve bank may discount "notes, drafts, and bills drawn or issued for agricultural purposes, or based on live stock, and having a maturity not exceeding six months." The law permits the Federal Reserve Board to deal with each Federal reserve bank individually in fixing this limit.

The Federal Reserve Board has determined to fix this limit generally, and until further notice, at 25 per cent of the capital that shall have been paid in from time to time. For those districts in which, during certain seasons, six-months' paper is particularly required to carry through agricultural operations the limit will be increased from time to time upon requests made by Federal reserve banks to the Federal Reserve Board.

Regulation No. 5, relating to six-months' paper, is appended hereto.

Regulation No. 6, relating to bank acceptances, is likewise appended.

CHARLES S. HAMLIN, Governor.

EXHIBIT F.

FEDERAL ADVISORY COUNCIL.

The creation of a Federal advisory council is provided for in section 12 of the Federal reserve act in the following words:

"There is hereby created a Federal advisory council which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from its own Federal reserve district one member of said council, who shall receive such compensation and allowances as may be fixed by his board of directors, subject to the approval of the Federal Reserve Board. The meetings of said advisory council shall be held at Washington, District of Columbia, at least four times each year, and oftener if called by the Federal Reserve Board. The council may, in addition to the meetings above provided for, hold such other meetings in Washington, District of Columbia, or elsewhere, as it may deem necessary, may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies shall serve for the unexpired term."

As the selection of members of the council could not be made until after the organization of the board of directors of each Federal reserve bank, complete membership of this body was not determined until December 8, 1914, at which date notification was received by the Federal Reserve Board that the last of the elections of members of the advisory council had been held. The Federal Reserve Board thereupon sent to each newly elected member of the advisory council an invitation to meet at Washington on December 15, 1914, recognizing that the Federal advisory council is a separate and independent body, but feeling that courtesy demanded that an invitation should be extended to meet with the Federal Reserve Board at the earliest possible date. The meeting was accordingly held December 15 and 16, 1914, and the Federal advisory council organized by electing the following officers: James B. Forgan, president; Levi L. Rue, vice president. Executive committee: Messrs. James B. Forgan, Levi L. Rue, J. P. Morgan, Daniel G. Wing, and W. S. Rowe.

Under the provision of the Federal reserve act cited above the term of office for a member of the Federal advisory council is one year, during which period at least four meetings are to be held. The present members of the council, whose terms of office will expire December 31, 1915, are as follows:

Daniel C. Wing, representing district No. 1, president First National Bank, Boston.

J. P. Morgan, representing district No. 2, J. P. Morgan & Co., New York.

L. L. Rue, representing district No. 3, president Philadelphia National Bank, Philadelphia.

W. S. Rowe, representing district No. 4, president First National Bank, Cincinnati; director Federal Reserve Bank of Cleveland.

George J. Seay, representing district No. 5, governor Federal Reserve Bank of Richmond.

Charles A. Lyerly, representing district No. 6, president First National Bank, Chattanooga.

James B. Forgan, representing district No. 7, president First National Bank, Chicago; director Federal Reserve Bank of Chicago.

Rolla Wells, representing district No. 8, governor Federal Reserve Bank of St. Louis.

C. T. Jaffray, representing district No. 9, first vice president First National Bank, Minneapolis.

E. F. Swinney, representing district No. 10, president First National Bank, Kansas City.

J. Howard Ardrey, representing district No. 11, cashier City National Bank, Dallas.

Archibald Kains, representing district No. 12, governor Federal Reserve Bank of San Francisco.

EXHIBIT G.

OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS.

Section 4 of the Federal reserve act provides that the board of directors of each Federal reserve bank shall consist of nine members, holding office for three years, and divided into classes A, B, and C.

"Class A shall consist of three members, who shall be chosen by and be representative of the stockholding banks.

"Class B shall consist of three members, who at the time of their election shall be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

"Class C shall consist of three members who shall be designated by the Federal Reserve Board. When the necessary subscriptions to the capital stock have been obtained for the organization of any Federal reserve bank, the Federal Reserve Board shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected."

Under the provisions of this section directors of classes A and B were elected by the member banks in each district, while those of class C, including the Federal reserve agents and deputy Federal reserve agents, in each case also chairman and vice chairman, respectively, of the board of directors of the Federal reserve bank, were appointed by the Federal Reserve Board. Following is the provision contained in section 4 concerning the term of office of directors:

"At the first meeting of the full board of directors of each Federal reserve bank it shall be the duty of the directors of classes A, B, and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the first of January nearest to date of such meeting, one whose term of office shall expire at the end of two years from said date, and one whose term of office shall expire at the end of three years from said date. Thereafter every director of a Federal reserve bank chosen as hereinbefore provided shall hold office for a term of three years. Vacancies that may occur in the several classes of directors of Federal reserve banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors."

The directors of the 12 Federal reserve banks elected or appointed under the provisions of section 4 above cited, with their terms of office, are as follows, the governors of the several banks for convenience being also included in this list:

Boards of directors and governors of the Federal reserve banks and Federal reserve agents.

DISTRICT NO. 1.—FEDERAL RESERVE BANK OF BOSTON.

[Frederic H. Curtiss, chairman and Federal reserve agent. Walter S. Hackney, deputy chairman and deputy reserve agent. Alfred L. Aiken, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	T. P. Beal.....	Boston, Mass.....	Dec. 31, 1917	1
	C. G. Sanford.....	Bridgeport, Conn.....	Dec. 31, 1916	2
	A. M. Heard.....	Manchester, N. H.....	Dec. 31, 1915	3
B.....	Chas. A. Moras.....	Boston, Mass.....	Dec. 31, 1917	1
	E. R. Morse.....	Proctor, Vt.....	Dec. 31, 1916	2
	Chas. G. Washburn.....	Worcester, Mass.....	Dec. 31, 1915	3
C.....	Frederic H. Curtiss.....	Boston, Mass.....	Dec. 31, 1917	1
	Walter S. Hackney.....	Providence, R. I.....	Dec. 31, 1916	2
	Allen Hollis.....	Concord, N. H.....	Dec. 31, 1915	3

DISTRICT NO. 2.—FEDERAL RESERVE BANK OF NEW YORK.

[Pierre Jay, chairman and Federal reserve agent. Charles Starek, deputy chairman and deputy reserve agent. Benjamin Strong, Jr., governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	William Woodward.....	New York, N. Y.....	Dec. 31, 1916	1
	R. H. Treman.....	Ithaca, N. Y.....	Dec. 31, 1917	2
	F. D. Locke.....	Buffalo, N. Y.....	Dec. 31, 1915	3
B.....	H. R. Towne.....	New York, N. Y.....	Dec. 31, 1916	1
	W. B. Thompson.....	Yonkers, N. Y.....	Dec. 31, 1917	2
	L. R. Palmer.....	Croton-on-Hudson, N. Y.....	Dec. 31, 1915	3
C.....	Pierre Jay.....	New York, N. Y.....	Dec. 31, 1916	1
	Charles Starek.....	do.....	Dec. 31, 1917	2
	George F. Peabody.....	Lake George, N. Y.....	Dec. 31, 1915	3

Boards of directors and governors of the Federal reserve banks and Federal reserve agents—Continued.

DISTRICT NO. 3.—FEDERAL RESERVE BANK OF PHILADELPHIA.

[Richard L. Austin, chairman and Federal reserve agent. George M. La Monte, deputy chairman and deputy reserve agent. Charles J. Rhoads, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	C. J. Rhoads.....	Philadelphia, Pa.....	Dec. 31, 1917	1
	W. H. Peck.....	Scranton, Pa.....	Dec. 31, 1916	2
	M. J. Murphy.....	do.....	Dec. 31, 1916	3
B.....	A. B. Johnson.....	Philadelphia, Pa.....	do.....	1
	E. S. Stuart.....	do.....	Dec. 31, 1917	2
	G. W. F. Gaunt.....	Mullica Hill, N. J.....	Dec. 31, 1915	3
C.....	Richard L. Austin.....	Philadelphia, Pa.....	Dec. 31, 1917	1
	George M. La Monte.....	Bound Brook, N. J.....	Dec. 31, 1915	2
	George W. Norris.....	Philadelphia, Pa.....	Dec. 31, 1916	3

DISTRICT NO. 4.—FEDERAL RESERVE BANK OF CLEVELAND.

[D. C. Wills, chairman and Federal reserve agent. Lyman H. Treadway, deputy chairman and deputy reserve agent. E. R. Fancher, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	Robert Wardrop.....	Pittsburgh, Pa.....	Dec. 31, 1917	1
	W. S. Rowe.....	Cincinnati, Ohio.....	Dec. 31, 1916	2
	S. B. Rankin.....	South Charleston, Ohio.....	Dec. 31, 1915	3
B.....	T. A. Combs.....	Lexington, Ky.....	Dec. 31, 1917	1
	C. H. Bagley.....	Corry, Pa.....	Dec. 31, 1916	2
	A. B. Patrick.....	Salversville, Ky.....	Dec. 31, 1915	3
C.....	D. C. Wills.....	Bellevue, Pa.....	Dec. 31, 1917	1
	Lyman H. Treadway.....	Cleveland, Ohio.....	Dec. 31, 1916	2
	H. P. Wolfe.....	Columbus, Ohio.....	Dec. 31, 1915	3

DISTRICT NO. 5.—FEDERAL RESERVE BANK OF RICHMOND.

[William Ingle, chairman and Federal reserve agent. James A. Moncure, deputy chairman and deputy reserve agent. George J. Seay, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	Waldo Newcomer.....	Baltimore, Md.....	Dec. 31, 1915	1
	J. F. Bruton.....	Wilson, N. C.....	Dec. 31, 1916	2
	Edwin Mann.....	Bluefield, W. Va.....	Dec. 31, 1917	3
B.....	Geo. J. Seay.....	Richmond, Va.....	Dec. 31, 1915	1
	D. R. Coker.....	Hartsville, S. C.....	Dec. 31, 1917	2
	J. F. Oyster.....	Washington, D. C.....	Dec. 31, 1916	3
C.....	William Ingle.....	Baltimore, Md.....	Dec. 31, 1917	1
	James A. Moncure.....	Richmond, Va.....	Dec. 31, 1916	2
	M. F. H. Gouverneur.....	Wilmington, N. C.....	Dec. 31, 1915	3

DISTRICT NO. 6.—FEDERAL RESERVE BANK OF ATLANTA.

[M. B. Wellborn, chairman and Federal reserve agent. Edward T. Brown, deputy chairman and deputy reserve agent. Joseph A. McCord, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	L. P. Hillier.....	Macon, Ga.....	Dec. 31, 1915	1
	F. W. Foote.....	Hattiesburg, Miss.....	Dec. 31, 1916	2
	W. H. Toole.....	Winder, Ga.....	Dec. 31, 1917	3
B.....	P. H. Saunders.....	New Orleans, La.....	do.....	1
	J. A. McCrary.....	Decatur, Ga.....	Dec. 31, 1915	2
	W. H. Hartford.....	Nashville, Tenn.....	Dec. 31, 1916	3
C.....	M. B. Wellborn.....	Anniston, Ala.....	Dec. 31, 1917	1
	Edward T. Brown.....	Atlanta, Ga.....	Dec. 31, 1915	2
	W. H. Kettig.....	Birmingham, Ala.....	Dec. 31, 1916	3

Boards of directors and governors of the Federal reserve banks and Federal reserve agents—Continued.

DISTRICT NO. 7.—FEDERAL RESERVE BANK OF CHICAGO.

[Charles H. Bosworth, chairman and Federal reserve agent. W. L. McLallen, deputy chairman and deputy reserve agent. James B. McDougal, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	Geo. M. Reynolds.....	Chicago, Ill.....	Dec. 31, 1915	1
	J. B. Forran.....	do.....	Dec. 31, 1916	2
	E. L. Johnson.....	Waterloo, Iowa.....	Dec. 31, 1917	3
B.....	Henry B. Joy.....	Detroit, Mich.....	Dec. 31, 1916	1
	M. B. Hutchison.....	Ottumwa, Iowa.....	Dec. 31, 1917	2
	A. H. Vogel.....	Milwaukee, Wis.....	Dec. 31, 1915	3
C.....	Charles H. Bosworth.....	Chicago, Ill.....	Dec. 31, 1916	1
	W. L. McLallen.....	Columbia City, Ind.....	Dec. 31, 1917	2
	E. T. Meredith.....	Des Moines, Iowa.....	Dec. 31, 1915	3

DISTRICT NO. 8.—FEDERAL RESERVE BANK OF ST. LOUIS.

[William McC. Martin, chairman and Federal reserve agent. Walter W. Smith, deputy chairman and deputy reserve agent. Rolla Wells, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	Walker Hill.....	St. Louis, Mo.....	Dec. 31, 1917	1
	F. O. Watts.....	do.....	Dec. 31, 1915	2
	Oscar Fenley.....	Louisville, Ky.....	Dec. 31, 1916	3
B.....	Murray Carlton.....	St. Louis, Mo.....	Dec. 31, 1915	1
	W. B. Plunkett.....	Little Rock, Ark.....	Dec. 31, 1916	2
	LeRoy Percy.....	Greenville, Miss.....	Dec. 31, 1917	3
C.....	W. McC. Martin.....	St. Louis, Mo.....	Dec. 31, 1915	1
	Walter W. Smith.....	do.....	Dec. 31, 1916	2
	John W. Boehne.....	Evansville, Ind.....	Dec. 31, 1917	3

DISTRICT NO. 9.—FEDERAL RESERVE BANK OF MINNEAPOLIS.

[John H. Rich, chairman and Federal reserve agent. P. M. Kerst, deputy chairman and deputy reserve agent. Theodore Wold, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	E. W. Decker.....	Minneapolis, Minn.....	Dec. 31, 1916	1
	L. B. Hanna.....	Fargo, N. Dak.....	Dec. 31, 1917	2
	J. C. Bassett.....	Aberdeen, S. Dak.....	Dec. 31, 1915	3
B.....	F. R. Bigelow.....	St. Paul, Minn.....	Dec. 31, 1916	1
	F. P. Hixon.....	La Crosse, Wis.....	Dec. 31, 1915	2
	N. B. Holter.....	Helena, Mont.....	Dec. 31, 1917	3
C.....	John H. Rich.....	Red Wing, Minn.....	do.....	1
	P. M. Kerst.....	St. Paul, Minn.....	Dec. 31, 1915	2
	John W. Black.....	Houghton, Mich.....	Dec. 31, 1916	3

DISTRICT NO. 10.—FEDERAL RESERVE BANK OF KANSAS CITY.

[J. Z. Miller, chairman and Federal reserve agent. A. E. Ramsey, deputy chairman and deputy reserve agent. Charles M. Sawyer, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	Gordon Jones.....	Denver, Colo.....	Dec. 31, 1915	1
	W. J. Bailey.....	Atchison, Kans.....	Dec. 31, 1916	2
	C. E. Burnham.....	Norfolk, Nebr.....	Dec. 31, 1917	3
B.....	M. L. McClure.....	Kansas City, Mo.....	Dec. 31, 1916	1
	T. C. Byrne.....	Omaha, Nebr.....	Dec. 31, 1915	2
	L. A. Wilson.....	El Reno, Okla.....	Dec. 31, 1917	3
C.....	J. Z. Miller, jr.....	Kansas City, Mo.....	do.....	1
	A. E. Ramsey.....	Muskogee, Okla.....	Dec. 31, 1916	2
	R. H. Malone.....	Denver, Colo.....	Dec. 31, 1915	3

Boards of directors and governors of the Federal reserve banks and Federal reserve agents—Continued.

DISTRICT NO. 11.—FEDERAL RESERVE BANK OF DALLAS.

[E. O. Tennyson, chairman and Federal reserve agent. W. F. McCaleb, deputy chairman and deputy reserve agent. Oscar Wells, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	Oscar Wells.....	Houston, Tex.....	Dec. 31, 1915	1
	E. K. Smith.....	Shreveport, La.....	Dec. 31, 1917	2
	B. A. McKinney.....	Durant, Okla.....	Dec. 31, 1916	3
B.....	Marion Sansom.....	Fort Worth, Tex.....	do.....	1
	Frank Kell.....	Wichita Falls, Tex.....	Dec. 31, 1915	2
	J. J. Culbertson.....	Paris, Tex.....	Dec. 31, 1917	3
C.....	E. O. Tennyson.....	Dallas, Tex.....	do.....	1
	W. F. McCaleb.....	San Antonio, Tex.....	Dec. 31, 1915	2
	Felix Martinez.....	El Paso, Tex.....	Dec. 31, 1916	3

DISTRICT NO. 12.—FEDERAL RESERVE BANK OF SAN FRANCISCO.

John Perrin, chairman and Federal reserve agent; Claude Gatch, deputy chairman and deputy reserve agent; Archibald Kains, governor.]

Class.	Name.	Residence.	Term expires.	Group.
A.....	C. K. McIntosh.....	San Francisco, Cal.....	Dec. 31, 1916	1
	J. K. Lynch.....	do.....	Dec. 31, 1917	2
	Alden Anderson.....	Sacramento, Cal.....	Dec. 31, 1915	3
B.....	A. B. C. Dohrman.....	San Francisco, Cal.....	Dec. 31, 1917	1
	J. A. McGregor.....	do.....	Dec. 31, 1915	2
	E. H. Cox.....	Madera, Cal.....	Dec. 31, 1916	3
C.....	John Perrin.....	Pasadena, Cal.....	Dec. 31, 1917	1
	Claude Gatch.....	San Francisco, Cal.....	Dec. 31, 1916	2
	Chas. E. Peabody.....	Seattle, Wash.....	Dec. 31, 1915	3

SALARIES OF OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS.

In considering the salaries paid to officers and directors of Federal Reserve Banks, it is important that note should be taken of various considerations which have an important bearing upon the salaries established, and which account for variations in the amount paid different officials of like position. Under the provisions of section 4 the Federal reserve agents are to receive a compensation to be fixed by the Federal Reserve Board, and their salaries were therefore established by the Federal Reserve Board in first instance, the aim being to avoid payment of salaries which could be considered excessive, but at the same time to pay such salaries as would be sufficiently similar to salaries paid to bank officers in the various districts, to enable the board to secure for this important position men of the very highest type as to ability, experience, and character. The following salaries were accordingly fixed:

District No. 1. Boston, Frederic H. Curtiss.....	\$10,000
District No. 2. New York, Pierre Jay.....	16,000
District No. 3. Philadelphia, Richard L. Austin.....	10,000
District No. 4. Cleveland, D. C. Wills.....	10,000
District No. 5. Richmond, William Ingle.....	10,000
District No. 6. Atlanta, M. B. Wellborn.....	6,000
District No. 7. Chicago, C. H. Bosworth.....	10,000
District No. 8. St. Louis, William McC. Martin.....	10,000
District No. 9. Minneapolis, John H. Rich.....	7,500
District No. 10. Kansas City, J. Z. Miller, jr.....	7,500
District No. 11. Dallas, E. O. Tennyson.....	6,000
District No. 12. San Francisco, John Perrin.....	12,000

The salaries and fees to be paid to deputy Federal reserve agents, directors, and to other officers of the Federal reserve banks, including governors, etc., were, unlike those of the Federal reserve agents, to be fixed by the boards of

directors of the several Federal reserve banks, subject to the approval of the Federal Reserve Board, as provided in the following paragraph of section 4:

"Directors of Federal reserve banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amount shall be paid by the respective Federal reserve banks. Any compensation that may be provided by boards of directors of Federal reserve banks for directors, officers, or employees shall be subject to the approval of the Federal Reserve Board."

In accordance with this provision, the several banks have established salaries for the chief executive officer, or governor; and the salaries thus fixed, which have been approved by the Federal Reserve Board, are given below. In addition to this, the board has in a few cases approved the salaries fixed by the banks for officers other than the governor, but as the banks in several districts have not yet completed their organization, it is not deemed advisable to give at this time a list, which would necessarily be incomplete, of the salaries paid to the subordinate officials of all the banks.

District No. 1. Federal Reserve Bank of Boston; Alfred L. Aiken, governor	\$15,000
District No. 2. Federal Reserve Bank of New York; Benjamin Strong, Jr., governor	30,000
District No. 3. Federal Reserve Bank of Philadelphia; Charles J. Rhoads, governor	20,000
District No. 4. Federal Reserve Bank of Cleveland; E. R. Fancher, governor	16,000
District No. 5. Federal Reserve Bank of Richmond; George J. Seay, governor	10,000
District No. 6. Federal Reserve Bank of Atlanta; Joseph A. McCord, governor	9,000
District No. 7. Federal Reserve Bank of Chicago; James B. McDougal, governor	20,000
District No. 8. Federal Reserve Bank of St. Louis; Rolla Wells, governor	20,000
District No. 9. Federal Reserve Bank of Minneapolis; Theodore Wold, governor	15,000
District No. 10. Federal Reserve Bank of Kansas City; Charles M. Sawyer, governor	7,500
District No. 11. Federal Reserve Bank of Dallas; Oscar Wells, governor	12,000
District No. 12. Federal Reserve Bank of San Francisco; Archibald Kains, governor	15,000

The board has decided to approve for the directors of the Federal reserve banks a fee of \$20 for attending a directors' meeting and of \$10 for attending meetings of the executive committee. In addition to this, directors living more than 50 miles from the reserve banks will be allowed a per diem fee of \$10 for every day's absence from home necessarily involved in such attendance, plus actual necessary traveling expenses.

EXHIBIT H.

CONVENTION OF DIRECTORS.

The Federal Reserve Board from the outset recognized the desirability of obtaining the hearty cooperation of the board of directors of the Federal reserve banks, as well as the advantage which would be obtained from a general unity and similarity of action on their part. It was, therefore, determined to invite the several banks to send a delegation representing them to a convention to be held in Washington on October 20, 21, and 22, and the following letter was sent to each bank:

FEDERAL RESERVE BOARD, *Washington.*

SIR: The Federal Reserve Board has determined to hold a general meeting on Tuesday, October 20, to which shall be invited the governor and a committee of three or more representing the directors of each Federal reserve bank. The invitation is extended to all directors of Federal reserve banks if they choose to attend, but it is desired that the committee of three already referred to shall in any event be present.

I have the honor to inform you of this invitation and ask that your board of directors shall shortly designate the directors who are to serve upon this committee, informing them of the date of the meeting and requesting them to attend.

The meeting will be devoted to a discussion of the general features and more important details regarding the organization of Federal reserve banks. The attached series of questions will give you an outline of some of the pertinent subjects to be taken up; others will doubtless be raised. It is desired that the representatives of each bank shall come prepared to present fully and completely the views of their institution in order that there may be a general interchange and comparison of ideas. To this end you are requested to ascertain the views of your directors with respect to the by-laws and organization chart already presented to you and to designate as a member of the committee at least one member who will be prepared to examine the proposed plans of accounting. It is desirable also that the class "O" directors shall consider and present definite views of the functions of the Federal reserve agent and of his deputy in order that these views may be standardized as a basis for a general ruling on the subject.

I have the honor to be, respectfully, yours,

QUESTIONS FOR DISCUSSION AT MEETING OF FEDERAL RESERVE BANK DELEGATES.

[Inclosed with letter of invitation.]

Question No. 1.

What is the earliest date when you think you can be ready to open the Federal Reserve Bank of _____?

Question No. 2.

Have you any suggestions or criticisms to offer in regard to the tentative by-laws sent you?

Question No. 3.

Have you any suggestions, criticisms, etc., in regard to tentative organization chart sent you?

Question No. 4.

What has been done with respect to securing temporary or permanent quarters?

Question No. 5.

What has been done with respect to staff and how large a staff do you expect to open with?

Question No. 6.

What functions laid down in the law do you expect to undertake at the beginning? When do you believe that the general clearing of checks can be begun?

Question No. 7.

Can the Federal Reserve Bank of _____ successfully arrange to convert emergency currency in its district into Federal reserve notes? What can you suggest as suitable steps toward this end?

Question No. 8.

What suggestions have you to make in regard to the uniformity of blanks for reports, etc., to the Federal Reserve Board, uniformity of statistics, and accounting methods?

The response to this invitation was unexpectedly hearty, many directors volunteering to attend the convention. The board also voted to extend the invitation to members of the preliminary committee on organization, which had included: Messrs. Edmund D. Fisher, Andrew A. Benton, O. Howard Wolfe, Joseph A. Broderick, Ralph Dawson, Stephen H. Farnham, Harry E. Ward, and C. C. Robinson, of New York City.

On October 20 there assembled in the office of the board about 100 persons, including directors, governors, members of the preliminary committee on organization, and others. The first step was to subdivide those in attendance into a number of committees to deal with the various topics demanding consideration. These committees conducted their inquiries during the 20th and 21st and ultimately reported to the board, such reports being herewith presented in Exhibit E as Circular No. 11.

Subsequent to this convention a committee of governors of reserve banks on October 23 requested the secretary of the board, acting unofficially, to place

the contracts for the manufacture of all forms intended to constitute a uniform system of accounting for use by the Federal reserve banks, and to investigate and report upon the uses of machines intended for the practical application of such forms. This request was complied with by the secretary of the board. He ultimately rendered a report to the governors covering the results of his efforts in this connection.

As a result of the work thus done, a uniform system of accounting has been established in the several banks, and provisions made for regular detailed reports to the Federal Reserve Board, such reports constituting the basis for the compilation of statistical data.

EXHIBIT I.

APPEALS FROM DECISIONS OF THE RESERVE BANK ORGANIZATION COMMITTEE.

The Federal reserve act in section 2 contains the following provisions governing the establishment of districts under the Federal reserve system:

"As soon as practicable, the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, acting as 'the reserve bank organization committee,' shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all. Such districts shall be known as Federal reserve districts and may be designated by number. A majority of the organization committee shall constitute a quorum with authority to act."

Under the provisions of the act as given above the decisions of the organization committee shall be subject to review by the Federal Reserve Board, and reviews have accordingly been requested in seven instances. For the reasons stated in the text of the report, the Federal Reserve Board has deferred the hearing of these appeals until more urgent duties connected with the organization of the 12 Federal reserve banks should have been disposed of, the anticipation being that action on the appeals could be taken shortly after the 1st of January, 1915. A summary of the proceedings on appeals thus far had is given below:

1. Petition of Pittsburgh member banks praying that Pittsburgh instead of Cleveland be designated as the Federal reserve city in District No. 4.

(A) Petition and brief filed on behalf of Pittsburgh banks August 12, 1914.

(B) Cleveland banks notified September 15, 1914, that this petition and brief had been filed and requested to designate some representative to appear in their behalf.

(C) Col. J. J. Sullivan designated to represent Cleveland banks September 22, 1914.

(D) Copies of petition and brief of Pittsburgh banks sent to Cleveland Clearing House Association September 25, 1914.

(E) Reply brief of Cleveland filed October 3, 1914.

(F) Hearing set for January 13, 1915.

2. Petition of Baltimore banks praying that Baltimore instead of Richmond be designated as the Federal reserve city in District No. 5.

(A) September 11, 1914, Baltimore filed petition and brief.

(B) September 15, 1914, Richmond banks notified that such petition and brief had been filed and requested to designate some representative to appear in their behalf.

(C) September 21, 1914, L. R. Page and Eppa Hunton designated to represent Richmond banks.

(D) September 25, 1914, petition and brief of Baltimore banks mailed to Messrs. Hunton and Page.

(E) October 5, 1914, reply brief filed in behalf of Richmond banks.

(F) Hearing set for January 6, 1915.

3. Petition of member banks located in Wetzel and Tyler Counties, W. Va., praying that said counties be transferred from District No. 5 to District No. 4.

(A) September 15, 1914, petition and brief filed in behalf of member banks of Wetzel and Tyler Counties.

(B) October 27, 1914, Federal Reserve Bank of Richmond notified that such petition and brief had been filed, and requested to designate some representative to appear in its behalf.

(C) October 30, 1914, Eppa Hunton designated to represent Federal Reserve Bank of Richmond.

(D) November 27, 1914, petition and brief of Wetzel and Tyler Counties mailed to Eppa Hunton.

(E) December 19, 1914, reply brief filed.

(F) Hearing set for January 27, 1915.

4. Petition of member banks of southern Oklahoma praying that the territory in which they are located be transferred from District No. 11 to District No. 10.

(A) September 15, 1914, petition and brief filed in behalf of the banks of southern Oklahoma.

(B) October 27, 1914, Federal Reserve Bank of Dallas notified that said petition and brief had been filed in behalf of the banks of southern Oklahoma, and requested to designate a representative to appear in its behalf.

(C) December 16, 1914, petition and brief of member banks of southern Oklahoma mailed to Federal Reserve Agent Tenison, Federal Reserve Bank of Dallas, with request that they be referred to representative when designated.

(D) December 26, 1914, Charles C. Huff designated to represent Federal Reserve Bank of Dallas.

(E) December 29, 1914, permission granted by Federal Reserve Board to file reply brief as late as January 27, 1915.

(F) Hearing set for February 10, 1915.

5. Petition of member banks in northern New Jersey praying that the territory in which they are located be transferred from District No. 3 to District No. 2.

(A) September 26, 1914, petition and brief in behalf of banks of northern New Jersey filed.

(B) October 26, 1914, Federal Reserve Bank of Philadelphia notified that said petition and brief had been filed, and requested to designate a representative to appear in its behalf.

(C) November 1, 1914, Charles J. Rhoads designated as representative of the Federal Reserve Bank of Philadelphia.

(D) November 17, 1914, petition and brief of the banks of northern New Jersey mailed to Charles J. Rhoads.

(E) January 4, 1915, reply brief filed.

(F) Hearing set for January 20, 1915.

6. Petition of Stewart, Montgomery, and Robertson Counties, of Tennessee, to be transferred from District No. 6 to District No. 8.

(A) October 6, 1914, petition and brief filed in behalf of banks of Stewart, Montgomery, and Robertson Counties.

(B) October 27, 1914, Federal Reserve Bank of Atlanta notified of petition and requested to designate a representative to appear in its behalf.

(C) December 19, 1914, petition and brief of Stewart, Montgomery, and Robertson Counties forwarded to Federal Reserve Agent Wellborn, Federal Reserve Bank of Atlanta, to be referred to representative when appointed.

(D) Counsel of Federal Reserve Bank of Atlanta appointed, December 30, 1914, as representative.

(E) Hearing set for February 17, 1915.

7. Petition of member banks of Nebraska and Wyoming to be transferred from District No. 10 to District No. 7.

(A) Petition in behalf of the banks of Nebraska and Wyoming filed November 14, and brief in support thereof November 17.

(B) November 17, 1914, Federal Reserve Bank of Kansas City notified that said petition and brief had been filed, and requested to designate representative to appear in its behalf.

(C) November 28, 1914, Robinson & Goodrich, Commerce Building, Kansas City, Mo., designated to represent the Federal Reserve Bank of Kansas City.

(D) November 28, 1914, petition and brief of Nebraska and Wyoming member banks mailed to representatives above named.

(E) December 4, 1914, Federal Reserve Board granted 30-day extension for filing reply brief.

(F) Hearing set for February 3, 1915.

EXHIBIT J.

Amount of Federal reserve notes, by denominations received, issued to Federal reserve agents, and on hand in the Federal Reserve Issue Division, Office Comptroller of the Currency, Dec. 31, 1914.

Bank.	5's.	10's.	20's.	Total.
Boston:				
Received.....	\$4,880,000	\$10,000,000	\$6,000,000	\$20,880,000
Issued.....	1,360,000	640,000		2,000,000
On hand.....	3,520,000	9,360,000	6,000,000	18,880,000
New York:				
Received.....	15,280,000	36,160,000	12,880,000	64,320,000
Issued.....	3,600,000	3,520,000	2,880,000	10,000,000
On hand.....	11,680,000	32,640,000	10,000,000	54,320,000
Philadelphia:				
Received.....	3,780,000	6,000,000	3,600,000	13,380,000
Issued.....	2,000,000	1,000,000		3,000,000
On hand.....	1,780,000	5,000,000	3,600,000	10,380,000
Cleveland:				
Received.....	1,440,000	4,000,000	2,400,000	7,840,000
Issued.....	640,000	1,360,000	400,000	2,400,000
On hand.....	800,000	2,640,000	2,000,000	5,440,000
Richmond:				
Received.....	2,600,000	4,000,000	2,400,000	9,000,000
Issued.....	1,400,000	600,000	960,000	2,960,000
On hand.....	1,200,000	3,400,000	1,440,000	6,040,000
Atlanta:				
Received.....	2,600,000	4,000,000	2,400,000	9,000,000
Issued.....	1,240,000	760,000		2,000,000
On hand.....	1,360,000	3,240,000	2,400,000	7,000,000
Chicago:				
Received.....	6,340,000	10,000,000	6,000,000	22,340,000
Issued.....	2,780,000	200,000	800,000	3,780,000
On hand.....	3,560,000	9,800,000	5,200,000	18,560,000
St. Louis:				
Received.....	3,900,000	6,000,000	3,600,000	13,500,000
Issued.....	2,160,000	840,000	400,000	3,400,000
On hand.....	1,740,000	5,160,000	3,200,000	10,100,000
Minneapolis:				
Received.....	1,380,000	4,000,000	2,400,000	7,780,000
Issued.....	880,000	1,120,000		2,000,000
On hand.....	500,000	2,880,000	2,400,000	5,780,000
Kansas City:				
Received.....	1,740,000	4,000,000	2,400,000	8,140,000
Issued.....	880,000	1,120,000		2,000,000
On hand.....	860,000	2,880,000	2,400,000	6,140,000
Dallas:				
Received.....	2,600,000	4,000,000	2,400,000	9,000,000
Issued.....	1,240,000	760,000		2,000,000
On hand.....	1,360,000	3,240,000	2,400,000	7,000,000
San Francisco:				
Received.....	1,680,000	4,000,000	2,400,000	8,080,000
Issued.....	840,000	1,160,000		2,000,000
On hand.....	840,000	2,840,000	2,400,000	6,080,000

Amount of Federal reserve notes, by denominations received, etc.—Continued.

RECAPITULATION.

Bank.	5's.	10's.	20's.	Total.
Total received:				
Notes.....	9,644,000	9,616,000	2,444,000	21,704,000
Amounts.....	\$48,220,000	\$96,160,000	\$48,880,000	\$193,260,000
Total issued:				
Notes.....	3,804,000	1,308,000	272,000	5,384,000
Amounts.....	\$19,020,000	\$13,080,000	\$5,440,000	\$37,540,000
Total on hand:				
Notes.....	5,840,000	8,308,000	2,172,000	16,320,000
Amounts.....	\$29,200,000	\$83,080,000	\$43,440,000	\$155,720,000

EXHIBIT K.

CONDITION OF THE FEDERAL RESERVE BANKS.

The first and second weekly bank statements made public by the Federal Reserve Board on Saturday, November 21 and 28, respectively, gave only the figures for the system as a whole without showing the condition of the individual banks as at close of business on the preceding days.

In the following statement figures showing condition of each of the Federal reserve banks as at close of business on November 20 and 27 are given in addition to the totals for the reserve system as a whole. Inasmuch as the returns for November 20 were somewhat incomplete, the weekly statement as originally issued contained some estimated totals. These latter have been corrected since, with the result that the totals for November 20 in the statement below differ somewhat from those in the original statement issued by the board on November 21.

Resources and liabilities of each of the 12 Federal reserve banks and combined resources and liabilities of the Federal reserve system at the end of each week beginning Nov. 20 and ending Dec. 31, 1914.

RESOURCES.

[In thousands of dollars.]

	Boston.	New York.	Philadel- phia.	Cleve- land.	Rich- mond.	Atlanta.
Gold coin and certificates:						
Nov. 20 ¹	10,620	86,161	17,533	15,317	7,423	2,550
Nov. 27.....	13,840	86,600	16,824	16,604	7,997	3,045
Dec. 4.....	13,150	85,961	17,488	17,131	8,121	3,060
Dec. 11.....	12,700	86,858	17,840	17,033	8,407	3,080
Dec. 18.....	12,150	85,960	19,394	17,589	8,432	3,109
Dec. 24.....	12,395	85,401	17,588	17,568	8,432	3,129
Dec. 31.....	12,919	82,235	16,642	17,674	8,688	3,133
Legal-tender notes, silver certificates, and subsidiary coin:						
Nov. 20 ¹	5,962	22,150	1,935	1,147	430	1,303
Nov. 27.....	1,977	21,015	3,012	1,240	278	1,752
Dec. 4.....	1,731	20,259	2,053	1,443	220	1,926
Dec. 11.....	559	18,374	2,313	1,309	82	2,008
Dec. 18.....	86	18,344	2,123	698	48	2,040
Dec. 24.....	673	18,885	2,139	1,089	56	2,077
Dec. 31.....	935	16,864	2,626	1,017	112	2,193
Total cash:						
Nov. 20 ¹	16,582	108,311	19,468	16,464	7,853	3,853
Nov. 27.....	15,817	107,615	19,836	17,853	8,273	4,797
Dec. 4.....	14,881	106,220	19,541	18,574	8,341	4,986
Dec. 11.....	13,259	105,232	20,153	18,342	8,489	5,088
Dec. 18.....	12,236	102,304	21,517	18,287	8,480	5,149
Dec. 24.....	13,068	102,286	19,727	18,657	8,488	5,206
Dec. 31.....	13,854	99,099	19,268	18,691	8,800	5,326
Bills discounted and loans:						
Nov. 20 ¹	10	3,023	.....	.....	.....	.....
Nov. 27.....	217	2,715	880	.....	213	25
Dec. 4.....	93	3,059	899	98	405	297
Dec. 11.....	145	2,035	537	363	748	367
Dec. 18.....	170	988	289	579	963	645
Dec. 24.....	97	620	140	537	1,184	731
Dec. 31.....	154	279	786	506	2,022	1,079

¹ Corrected figures. Figures given in the original weekly report were partly estimated.

196 ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

Resources and liabilities of each of the 12 Federal reserve banks, etc.—Continued.

RESOURCES—Continued.

[In thousands of dollars.]

	Boston.	New York.	Philadel- phia.	Cleve- land.	Rich- mond.	Atlanta.
Investments, Dec. 31.....		50				
All other resources:						
Nov. 20 ¹	15	18	18	19	12	7
Nov. 27.....	22	20	21	21	12	10
Dec. 4.....	26	37	43	41	12	11
Dec. 11.....	40	44	757	47	11	312
Dec. 18.....	40	516	476	116	19	257
Dec. 24.....	52	2,477	402	150	60	324
Dec. 31.....	68	5,457	1,447	318	213	970
Total resources:						
Nov. 20 ¹	16,607	111,352	19,496	16,483	7,865	3,800
Nov. 27.....	16,056	110,350	20,737	17,874	8,468	4,832
Dec. 4.....	15,000	109,316	20,483	18,713	8,758	5,294
Dec. 11.....	13,444	107,211	21,447	18,752	9,248	5,767
Dec. 18.....	12,446	103,808	22,282	18,982	9,462	6,051
Dec. 24.....	13,217	105,383	20,269	19,344	9,732	6,261
Dec. 31.....	14,076	104,885	21,501	19,515	11,035	7,375

	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	System total.
Gold coin and certificates:							
Nov. 20 ¹	36,688	5,002	4,627	4,918	5,575	8,531	204,945
Nov. 27.....	37,731	9,194	8,467	8,544	5,959	13,035	227,840
Dec. 4.....	36,538	10,177	9,305	10,309	6,110	13,562	230,912
Dec. 11.....	36,688	10,189	9,497	10,475	6,161	13,145	232,073
Dec. 18.....	37,417	9,875	9,560	10,226	6,263	13,304	233,279
Dec. 24.....	38,669	9,179	9,567	10,179	6,438	14,023	232,568
Dec. 31.....	37,776	9,226	9,904	10,284	6,292	14,296	229,069
Legal-tender notes, silver certificates, and subsidiary coin:							
Nov. 20 ¹	3,304	1	65	156	.....	10	36,463
Nov. 27.....	2,257	2,298	72	402	259	61	34,630
Dec. 4.....	2,232	1,391	66	474	165	60	32,020
Dec. 11.....	1,340	1,333	1	500	283	68	28,170
Dec. 18.....	1,931	781	1	496	391	69	25,006
Dec. 24.....	1,248	792	1	526	191	71	25,748
Dec. 31.....	931	869	21	534	404	72	26,578
Total cash:							
Nov. 20 ¹	39,992	5,003	4,692	5,074	5,575	8,541	241,408
Nov. 27.....	39,988	11,492	8,539	8,946	6,218	13,096	262,470
Dec. 4.....	38,770	11,568	9,371	10,783	6,275	13,622	262,932
Dec. 11.....	38,028	11,522	9,498	10,975	6,444	13,213	260,243
Dec. 18.....	39,348	10,656	9,561	10,722	6,654	13,373	258,287
Dec. 24.....	39,917	9,971	9,568	10,705	6,629	14,094	258,316
Dec. 31.....	38,707	10,095	9,925	10,818	6,696	14,368	255,647
Bills discounted and loans:							
Nov. 20 ¹	1,131	1,000	175	268	19	.....	5,626
Nov. 27.....	1,509	1,073	175	392	173	11	7,383
Dec. 4.....	2,465	1,605	152	434	308	29	9,844
Dec. 11.....	3,395	1,160	94	388	420	605	10,267
Dec. 18.....	3,092	873	84	208	467	685	9,043
Dec. 24.....	3,034	814	402	108	598	787	8,552
Dec. 31.....	2,617	288	1,104	79	927	752	10,598
Investments, Dec. 31.....	205	.....	.....	.....	.....	.....	255
All other resources:							
Nov. 20 ¹	16	.....	7	.....	.....	12	124
Nov. 27.....	30	4	8	.....	9	8	165
Dec. 4.....	45	14	20	18	24	17	308
Dec. 11.....	145	323	26	26	213	32	1,976
Dec. 18.....	775	60	37	29	226	106	2,600
Dec. 24.....	965	128	38	26	53	130	4,815
Dec. 31.....	880	951	271	44	662	78	11,849
Total resources:							
Nov. 20 ¹	41,139	6,003	4,874	5,342	5,594	8,553	247,158
Nov. 27.....	41,527	12,569	8,722	9,338	6,400	13,115	270,018
Dec. 4.....	41,280	13,187	9,543	11,235	6,607	13,668	273,084
Dec. 11.....	41,568	18,005	9,618	11,389	7,077	13,850	272,476
Dec. 18.....	43,215	11,589	9,682	10,959	7,350	14,164	269,990
Dec. 24.....	43,916	10,413	10,008	10,849	7,280	15,011	271,653
Dec. 31.....	42,409	11,834	11,300	10,941	8,275	15,198	277,844

¹ Corrected figures. Figures as given in the original weekly report were partly estimated.

Resources and Liabilities of each of the 12 Federal reserve banks, etc.—Continued.

LIABILITIES.

[In thousands of dollars.]

	Boston.	New York.	Philadel- phia.	Cleve- land.	Rich- mond.	Atlanta.
Reserve deposits—net amounts:¹						
Nov. 20 ²	14,983	107,805	17,368	14,457	6,776	3,073
Nov. 27.....	14,383	106,350	18,265	15,845	7,361	4,026
Dec. 4.....	13,381	105,593	17,658	16,667	7,344	4,300
Dec. 11.....	11,825	103,837	19,359	16,699	7,643	4,853
Dec. 18.....	10,827	100,486	20,196	16,530	7,669	5,006
Dec. 24.....	11,508	102,061	18,183	17,171	7,651	5,146
Dec. 31.....	12,457	101,563	19,415	17,344	9,161	6,156
Federal reserve notes in circulation—net amounts:³						
Nov. 20 ²	5	225	.....	.....	.....	.....
Nov. 27.....	55	673	384	.....	45	20
Dec. 4.....	.....	401	737	16	321	117
Dec. 11.....	.....	152	.....	52	512	126
Dec. 18.....	.....	.....	.....	121	700	268
Dec. 24.....	.....	.....	.....	142	787	329
Dec. 31.....	.....	.....	.....	140	780	434
Capital paid in:						
Nov. 20 ²	1,620	3,322	2,068	2,026	1,080	757
Nov. 27.....	1,613	3,322	2,068	2,026	1,092	757
Dec. 4.....	1,619	3,322	2,068	2,030	1,063	757
Dec. 11.....	1,619	3,322	2,068	2,031	1,063	757
Dec. 18.....	1,619	3,322	2,066	2,031	1,063	757
Dec. 24.....	1,619	3,322	2,066	2,031	1,064	756
Dec. 31.....	1,619	3,322	2,066	2,031	1,064	756
Total liabilities:						
Nov. 20 ²	16,607	111,352	19,486	16,483	7,865	3,890
Nov. 27.....	16,056	110,350	20,737	17,874	8,498	4,833
Dec. 4.....	15,000	109,316	20,493	18,713	8,758	5,204
Dec. 11.....	13,444	107,311	21,447	18,752	9,248	5,767
Dec. 18.....	12,446	103,808	22,262	18,962	9,462	6,051
Dec. 24.....	13,217	105,383	20,269	19,344	9,732	6,261
Dec. 31.....	14,076	104,885	21,501	19,515	11,735	7,376

	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	System total.
Reserve deposits—net amounts:¹							
Nov. 20 ²	38,124	5,068	3,896	4,407	4,637	7,267	227,880
Nov. 27.....	38,275	11,645	7,742	8,115	5,442	11,820	249,268
Dec. 4.....	37,709	11,851	8,620	9,983	5,498	12,373	261,067
Dec. 11.....	37,838	11,588	8,700	10,130	5,903	12,440	250,937
Dec. 18.....	39,354	10,063	8,868	9,907	6,085	12,793	248,084
Dec. 24.....	39,779	9,446	9,194	9,853	5,939	13,565	249,798
Dec. 31.....	38,495	10,372	10,486	9,942	6,909	13,719	266,018
Federal reserve notes in circulation—net amounts:³							
Nov. 20 ²	820	.....	170	.....	.....	.....	1,220
Nov. 27.....	1,057	.....	172	289	.....	.....	2,700
Dec. 4.....	1,374	413	120	320	151	.....	3,970
Dec. 11.....	1,472	494	25	329	216	115	3,492
Dec. 18.....	1,663	603	.....	126	309	76	3,856
Dec. 24.....	1,941	44	.....	69	385	150	3,847
Dec. 31.....	1,717	39	.....	72	410	183	3,775
Capital paid in:							
Nov. 20 ²	2,196	935	806	935	957	1,296	18,058
Nov. 27.....	2,196	924	808	934	958	1,296	18,050
Dec. 4.....	2,197	923	803	932	958	1,295	18,047
Dec. 11.....	2,198	923	803	930	958	1,295	18,047
Dec. 18.....	2,198	923	814	926	956	1,295	18,050
Dec. 24.....	2,196	923	814	927	956	1,296	18,050
Dec. 31.....	2,197	923	814	927	956	1,296	18,051
Total liabilities:							
Nov. 20 ²	41,139	6,003	4,874	5,342	5,594	8,553	247,158
Nov. 27.....	41,527	12,569	8,722	9,338	6,400	13,115	270,018
Dec. 4.....	41,280	13,187	9,543	11,235	6,607	13,668	273,084
Dec. 11.....	41,568	13,006	9,618	11,390	7,077	13,850	272,476
Dec. 18.....	43,215	11,589	9,682	10,959	7,350	14,164	269,990
Dec. 24.....	43,916	10,413	10,008	10,849	7,280	15,011	271,693
Dec. 31.....	42,409	11,334	11,300	10,941	8,275	15,198	277,844

¹ Corrected figures. Figures as given in the original weekly report were partly estimated.² After deduction of items in transit between Federal reserve banks.³ Less amounts in hands of the banks themselves and of gold and lawful money deposited with Federal reserve agents for retirement of outstanding notes.

EXHIBIT L.

STATEMENT A.

NET BALANCES OF FEDERAL RESERVE BANKS.

The following table shows the net balances reported by each Federal reserve bank as due from and to each other Federal reserve bank at close of business on December 31, 1914. Figures under asterisks give the balances due from the Federal reserve bank shown on the left-hand margin on the same horizontal line to the Federal reserve bank shown at the top of the column. Figures without asterisks give net balances due to the Federal reserve bank shown on the left-hand margin from the Federal reserve bank shown at the top of the column.

The figures shown in the last column to the right give the total net balances due to or from the Federal reserve bank on the left-hand margin on the same horizontal line, as reported by each bank. For the purpose of checking the accuracy of the operations the figures in each column have been added and the column totals combined into one grand total which must equal the total net balance due from all Federal reserve banks, or the amount in transit between the several Federal reserve banks.

Net balances of each Federal reserve bank due from and due to each other Federal reserve bank at close of business Dec. 31, 1914.

Banks.	Boston.	New York.	Philadel- phia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	Total.
	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
Boston.....	1,721,001	1,721,026	5,810	9,839	.....	8,337	25,000	50,000	.....	500	6,321	.....	1,735,867
New York.....	.....	.....	1,279,754	548,617	1,584,598	1,746,247	1,515,362	45,212	177,509	1,197,378	764,722	1,338,436	8,386,410
Philadelphia.....	63,718	.....	.....	.....	7,781	2,306	1	51	4	143	57,743	68	120,961
Cleveland.....	9,839	518,617	.....	.....	.....	2,244	5,789	1,750	.....	.....	1,630	.....	536,609
Richmond.....	1,261,564	.....	7,841	.....	.....	17,654	17,000	5,978	.....	.....	280	.....	1,224,757
Atlanta.....	8,678	732,087	5,066	2,500	29,623	.....	101,286	22,512	353	5,000	32,761	.....	624,278
Chicago.....	25,000	306,496	1	5,789	7,000	99,187	.....	8,177	1,084,144	167,265	156,803	35,097	1,018,103
St. Louis.....	50,000	57,712	71	1,750	9,010	14,514	8,587	.....	108,847	839,817	575,268	13	1,536,561
Minneapolis.....	.....	157,510	4	.....	.....	333	280,728	108,847	.....	.....	.....	.....	547,442
Kansas City.....	1,000	1,168,000	.....	.....	.....	5,000	285,000	668,000	.....	.....	100,000	.....	1,477,000
Dallas.....	6,321	120,848	69,500	1,630	33	32,792	171,813	133,400	.....	48,097	.....	.....	89,166
San Francisco.....	.....	209,413	33	.....	.....	.....	20,054	.....	.....	10	.....	.....	229,510
Total.....	2,997,595	884,959	1,356,384	566,865	1,608,417	1,633,750	1,777,478	928,903	1,370,857	215,362	3,296,672	1,373,614	7,927,218

STATEMENT B.

Statements B and C give a digest of the reports of Federal reserve agents, showing the manner in which initial reserve payments were made by member banks from their own vaults and other correspondent banks, and the composition of reserves held on December 4, 1914.

Five of the Federal reserve banks did not report the initial reserve payments received by them, but gave merely the amounts received from reserve agents for the account of member banks. The figures in column A of Statement B, therefore, are the amounts reported by them as due to member banks on December 4.

In the case of Dallas the amount due on December 22 was taken as being probably nearer the total reserve payment than the figures on December 4.

The percentage of gold and gold certificates to total reserves, including national bank notes, held by the 12 Federal reserve banks on December 4, as indicated in Statement C, was 87.7 per cent. The lowest percentage, 61.1 per cent. is shown for Atlanta. Minneapolis and San Francisco show a percentage in excess of 99 per cent.

Initial reserve payments made from member banks' own vaults and through correspondent banks.

	A Total re- serve pay- ments re- ceived by the Federal reserve bank, as reported by the agent, or deposits on hand on Dec. 4, 1914.	B Reserve payments made by member banks from their own vaults.	C Amounts deposited by corre- spondents to the credit of member banks.	D Per cent C is of A.	E Number of mem- ber banks whose initial deposits were made wholly or in part by corre- spondent banks.	Remarks.
Boston (Nov. 16-17, as reported by Federal reserve agent).	\$13,796,000	\$12,763,820	\$1,032,180	7.5	81	69 banks paid in \$912,180 by transfer from vaults of correspondent banks in reserve cities; in the case of 12 banks the amount of \$120,000, reported as paid in by Boston correspondent banks, represents only part of the initial deposits of these banks, the remainder having been paid in by the banks themselves.
New York (Federal reserve agent's es- timate of Dec. 9, 1914).	105,000,000	103,500,000	\$ 1,500,000	* 1.5	90-100	In a great many cases the banks referred to in columns C to E had shipped gold or lawful money to the correspondents, on whom checks for initial deposits were drawn.
Philadelphia (re- ported by Federal reserve agent under date of Dec. 9, 1914).	13,608,488	16,280,622	2,327,866	12.5	249	Of the total shown in column C, \$110,876 was paid in by drafts of 50 member banks on correspondents and \$2,017,190 by correspondent banks upon request of 190 member banks.
Cleveland (reported by Federal re- serve agent under date of Dec. 4, 1914).	16,653,603	15,830,998	822,605	4.9	.....	

* Over.

* Less than.

Initial reserve payments made from member banks' own vaults and through correspondent banks—Continued.

	A Total re- serve pay- ments re- ceived by the Federal reserve bank, as reported by the agent, or deposits on hand on Dec. 4, 1914.	B Reserve payments made by member banks from their own vaults.	C Amounts deposited by corre- spondents to the credit of member banks.	D Per cent C is of A.	E Number of mem- ber banks whose initial deposits were made wholly or in part by corre- spondent banks.	Remarks.
Richmond (re- ported by Federal reserve agent Dec. 4, 1914).	\$7,343,450	\$6,840,725	-----	-----	91	In many cases the interior banks treated in columns C to E sent their cash de- posits to their correspond- ent bank, particularly at Richmond, with the re- quest that the money be dispatched to the Federal reserve bank for their ac- count. In some instances drafts on New York were sent to the Federal reserve bank.
Atlanta (reported by Federal re- serve agent Dec. 8, 1914).	14,532,626	4,171,518	-----	-----	52	Two-thirds of amount shown in column C was paid in for account of 3 banks.
Chicago (letter of Federal reserve agent, Dec. 22, 1914).	137,772,407	-----	\$640,190	-----	126	Of the total number of banks stated in column E, 42 banks shipped \$269,110 from their own vaults in addition to \$186,648 de- posited by their corre- spondents and included in the total shown in column C. The total required re- serve of the latter is stated as \$890,382. 12 banks not heard from are presumed to have required their cor- respondents to make initial deposits for them.
St. Louis (letter of Federal reserve agent, Dec. 30, 1914).	10,759,277	10,498,826	260,451	2.4	59	400 banks paid in \$10,315,927 in cash out of their own vaults. Of the 59 banks which made payment through their correspond- ents, 12 made additional payments of \$182,899 out of their own vaults.
Minneapolis (letter of Federal reserve agent, Dec. 5, 1914).	18,620,062	-----	-----	-----	-----	A few member banks sent checks on their reserve agents. Initial deposits by the latter for account of the former not accepted, unless the correspondent banks agreed to insist upon the return of the gold paid in.
Kansas City (letter of Federal reserve agent, Dec. 15, 1914).	9,916,062	9,407,963	476,789	4.8	131	By December 15 no informa- tion had yet been received from 10 member banks with aggregate payments of re- serves of \$31,290.
Dallas (letter of Federal reserve agent, Dec. 22, 1914).	26,226,367	4,951,940	-----	-----	167	
San Francisco (let- ter of Federal re- serve agent, Dec. 22, 1914).	112,373,903	-----	1,568,997	-----	154	Figures given in column E do not refer to those banks which shipped the required amount of lawful money to reimburse their correspond- ents for making the initial reserve deposits.

¹ Reserve deposits at close of business Dec. 4, 1914.² Reserve deposits at close of business Dec. 22, 1914.

STATEMENT C.

Composition of reserves held by each of the Federal reserve banks and the system as a whole on Dec. 4, 1914.

Composition of reserves.	District No. 1.	District No. 2.	District No. 3.	District No. 4.	District No. 5.	District No. 6.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
Gold bullion and coin.....	55	990	868,410	1,709,935	1,576,525	953,000
Gold certificates.....	13,144,590	59,345,130	14,262,780	11,102,060	6,528,415	2,096,500
Clearing-house certificates (gold certificates).....		26,560,000	2,320,000	4,315,000		
Due from Treasurer U. S. gold redemption fund (F. R. notes).....	5,500	55,000	37,000	3,750	16,250	10,000
Total gold.....	13,150,145	85,961,120	17,488,190	17,131,345	8,121,190	3,059,500
Silver coin.....						349,300
Silver certificates.....	432,771	2,061,291	1,387,777	488,264	76,464	976,259
United States notes.....						
Clearing-house certificates (silver certificates).....		4,680,000				
Total silver.....	432,771	6,741,291	1,387,777	488,264	76,464	1,325,559
National-bank notes.....	22,115	11,280	388,670	2,040		17,755
Legal-tender notes.....	1,298,565	5,887,663	665,090	954,755	143,050	600,897
Clearing-house certificates (legal-tender notes).....		7,630,000				
Total legal tender.....	1,298,565	13,517,663	665,090	954,755	143,050	600,897
Grand total.....	14,903,596	106,231,334	19,929,727	18,576,404	8,340,704	5,003,711
Per cent of gold.....	88.3	80.9	87.8	92.2	97.4	61.1

Composition of reserves.	District No. 7.	District No. 8.	District No. 9.	District No. 10.	District No. 11.	District No. 12.	Total.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
Gold bullion and coin.....	2,429,450	1,375,960	1,258,348	1,106,265	696,620	9,643,470	21,619,028
Gold certificates.....	29,724,900	8,775,730	7,093,240	7,528,355	5,390,420	1,623,660	166,616,370
Clearing-house certificates (gold certificates).....	4,285,000		1,005,000	1,665,000		2,290,000	42,430,000
Due from Treasurer U. S. gold redemption fund (F. R. notes).....	100,000	25,000		20,000	23,000		295,500
Total gold.....	36,539,350	10,176,690	9,356,588	10,309,620	6,110,040	13,557,120	230,960,898
Silver coin.....	44,200				34,843	5	428,348
Silver certificates.....	392,867	413,172	2,911	535	80,145	28,013	6,340,469
United States notes.....							
Clearing-house certificates (silver certificates).....							4,680,000
Total silver.....	437,067	413,172	2,911	535	114,988	28,018	11,448,817
National-bank notes.....	80,000		4,480		1,040	40	527,400
Legal-tender notes.....	1,794,000	978,500	12,985	472,505	51,060	37,629	12,895,699
Clearing-house certificates (legal-tender notes).....							7,630,000
Total legal tender.....	1,794,000	978,500	12,985	472,505	51,060	37,629	20,525,699
Grand total.....	38,850,417	11,568,362	9,376,964	10,782,660	6,276,128	13,622,807	263,462,814
Per cent of gold.....	94.1	88.0	99.8	95.6	97.4	99.5	87.7

EXHIBIT M.

Changes in discount rates of each of the Federal reserve banks and dates when made effective from Nov. 16, 1914, to Jan. 1, 1915.

NO. 1.—MATURITIES OF 30 DAYS AND LESS.

Federal reserve bank at—	November, 1914.		December, 1914.																Jan. 1, 1915.
	16	20	1	2	4	7	9	10	11	15	16	17	18	21	23	24	28	30	
Boston.....	6	5½										5						4½	
New York.....	5½											5	5		4½				
Philadelphia.....	5½										5					4½			
Cleveland.....	6				5½						5								
Richmond.....	6			5½							5	5							
Atlanta.....	6							5½			5								
Chicago.....	6		5½								5							4½	
St. Louis.....	6							5½						5					
Minneapolis.....	6					5½										5			
Kansas City.....	6									5									
Dallas.....	6								5½					5					
San Francisco.....	6		5½							5								4½	

NO. 2.—MATURITIES OF OVER 30 DAYS TO 60 DAYS, INCLUSIVE.

Federal reserve bank at—	November, 1914.		December, 1914.																Jan. 1, 1915.
	16	20	1	2	4	7	9	10	15	16	17	18	21	23	24	28	30		
Boston.....	6										5½						5		
New York.....	6										5½	5½		5					
Philadelphia.....	6									5½						5			
Cleveland.....	6									5½	5½					5			
Richmond.....	6										5½					5			
Atlanta.....	6½			6						6½						5			
Chicago.....	6									5½						5			
St. Louis.....	6												5½						
Minneapolis.....	6						6								5½				
Kansas City.....	6½					6				6½									
Dallas.....	6½		6									5½					5		
San Francisco.....	6½			6						5½									

No. 3.—MATURITIES OF OVER 60 DAYS TO 90 DAYS, INCLUSIVE.

[illegible]

No. 4.—MATURITIES OF OVER 90 DAYS (LIVE STOCK AND AGRICULTURAL PAPER)

[illegible]

Commercial paper rates prevailing at leading centers, as reported daily to the Federal Reserve Board from Nov. 16 to Dec. 31, 1914.

	District No. 1, Boston.	District No. 2, New York.	District No. 3, Philadel- phia.	District No. 4, Cleve- land.	District No. 5, Rich- mond.	District No. 6, Atlanta.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16.....	6	5½-6	6-6½	6		6
Nov. 17.....	6	5½-6	6	6		6
Nov. 18.....	6	5-6		6		6
Nov. 19.....	5½	5-6	5½-6			6
Nov. 20.....	5½-6	5-6		6		6
Nov. 21.....	5½-6	5-6	5½-6	0	5½-6	6
Nov. 23.....	5½-6	5-5½	5½-6			6
Nov. 24.....	5-6	5-5½	5½-6	0		6
Nov. 25.....	5-6	5-5½	5-6			6
Nov. 27.....		5½	5½-6	5½-6		6
Nov. 28.....	5-5½	5-5½	5-5½	5½-6		6
Nov. 30.....	5-6	4½-5½	5-5½	5½-6	6	6
Dec. 1.....	5-6	4½-5½	5-5½	5½-6		6
Dec. 2.....	5-6		5½-6	5½-6	6	6
Dec. 3.....	5-6	4½-5½	5½-6	5½-6	6	6
Dec. 4.....	5-6	4½-5½	5-6	5½-6	6	
Dec. 5.....	5-6	4½-5½		5½-6	6	6
Dec. 7.....	5-6	4½-5	5½-6	5	6	6
Dec. 8.....	5-6	4½	5½-6	5	6	6
Dec. 9.....	5-6	4½-5	5½-6	5	6	6
Dec. 10.....	5-6	4-5	5½-6	5	6	6
Dec. 11.....	5-6	4-5	5½-6	5	6	
Dec. 12.....	5-5½	4-5		5	6	6
Dec. 14.....	5-5½	4-5	5½-6	5-6		
Dec. 15.....	5-5½	4-5	5-6	5-6		
Dec. 16.....	5-5½	4-5	5-5½	5-6		
Dec. 17.....	5-5½	4-5	5-5½			
Dec. 18.....	5-5½	4-5	5-5½	0		
Dec. 19.....	5-5½	4-5				
Dec. 21.....	5-5½	4-5				
Dec. 22.....	5-5½	4-5	5-5½	0		
Dec. 23.....	5-5½	4-5	5-5½	0		
Dec. 24.....	5-5½	4-5				
Dec. 26.....	5-5½	4-5		6		
Dec. 28.....		4-5	5-5½	6		
Dec. 29.....		4-5		0		
Dec. 30.....		4-5				
Dec. 31.....		4-4½		0		

Commercial paper rates prevailing at leading centers, as reported daily to the Federal Reserve Board from Nov. 16 to Dec. 31, 1914—Continued.

	District No. 7, Chicago.	District No. 8, St. Louis.	District No. 9, Minne- apolis.	District No. 10, Kansas City.	District No. 11, Dallas.	District No. 12, San Fran- cisco.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16.	6-6½		6	6-7		6-6½
Nov. 17.	6-7		6	6-6½		
Nov. 18.	5½-6½		6	6-6½		
Nov. 19.	5-6		6	6-6½		
Nov. 20.			6	6-6½		
Nov. 21.	5-6			6		
Nov. 22.	5½-6		5½-6	6		
Nov. 23.	5-6		5½	6		
Nov. 24.	5-6		5½	6		
Nov. 25.	5-6		5½			
Nov. 26.	6		5½			
Nov. 27.	6			6		
Nov. 28.	5-5½	6	5½	6	6	
Nov. 30.	5-5½	6	5½	6		
Dec. 1.	5-5½	6	5	6		
Dec. 2.	5-5½	6	5	6		
Dec. 3.	5-5½	6	5	6		
Dec. 4.	5-5½	6	5	6		
Dec. 5.	5	6		6		
Dec. 6.	4½-5	6	5	6		
Dec. 7.	4½-5	6	5	6		
Dec. 8.	4½-5	6	5	6		
Dec. 9.	4½-5	6	5	6		
Dec. 10.	4½-5	6	5	6		
Dec. 11.	4½-5	6	5	6		
Dec. 12.	4½-5	6	5	6		
Dec. 13.	4½-5	6		6		
Dec. 14.	4½-5	6		6		
Dec. 15.		6		6		
Dec. 16.		6		6		
Dec. 17.	4½-5	6		6		
Dec. 18.	4½-5	6		6		
Dec. 19.	4½-5	6		6		
Dec. 20.	4½-5	5½-6		6		
Dec. 21.	4½-5	5½-6		6		
Dec. 22.	4½-5	5½-6		6		
Dec. 23.	4½-5	5½-6		6		
Dec. 24.	4½-5	5½-6		6		
Dec. 25.	4½-5	5½-8		6		
Dec. 26.	4½-5	5-5½				
Dec. 27.	4½-5					
Dec. 28.	4½-5					
Dec. 29.	4½-5					
Dec. 30.	4½-5					
Dec. 31.	4½-5					

EXHIBIT N.

COTTON-LOAN FUND.

COMPLETED PLAN AND SUBSCRIPTION AGREEMENT.

Memorandum of plan for the creation of a fund of approximately \$185,000,000 to be used for the purpose of making loans on cotton in the cotton-producing States.

Submitted to the Federal Reserve Board at a meeting of bankers representing banks in New York and St. Louis, and approved by the board on October 24, 1914.

Members of the committee present in person: Messrs. A. H. Wiggin, William Woodward, A. J. Hemphill, and J. S. Alexander, representing the New York bankers, and Mr. Festus J. Wade, of St. Louis, and Mr. Daniel G. Wing, of Boston.

OUTLINE OF PLAN.

It is proposed to create in the manner hereinafter provided a fund of approximately \$185,000,000, to be known as the "Cotton Loan Fund," and to be used for the purposes herein stated. Subscribers to this fund shall be divided into two classes, to be designated respectively as class "A" and class "B" subscribers. With the exception of those in Missouri and Virginia class "A" subscribers shall consist of banks, or other corporations, firms, or individuals located or residing in other than the cotton-producing States of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Texas, Tennessee, and Virginia.

All class "A" subscriptions shall be contingent upon the receipt of subscriptions of that class aggregating \$100,000,000. Class "B" subscriptions shall be made by banks or bankers located or residing in the cotton-producing States above mentioned, and as hereinafter more particularly explained; no class "B" subscriptions shall be required except as a condition of a loan or loans to be made out of the fund to be created, and in such event subscriptions shall not be required to exceed 25 per cent of the amount of the loan applied for.

Each subscriber shall, upon the payment in whole or in part of the amount subscribed for, receive a participation certificate transferable only on the books of the Cotton Loan Committee, showing on its face the class of subscription represented thereby and specifying the terms under which the owner will be entitled to share in the distribution of the moneys realized from the loans made from the fund created. The Cotton Loan Committee may make such rules and regulations with respect to the transfers of certificates as in its discretion it may deem to be advisable: *Provided, however,* That the registered holder of each certificate shall for all purposes of said Committee be deemed the owner thereof.

All class "A" and class "B" certificates shall bear interest at the rate of 6 per cent per annum, payable February 1, 1915, and quarterly thereafter, or, in the discretion of the Cotton Loan Committee, May 1, 1915, and quarterly thereafter.

The Cotton Loan Fund shall be administered under the direction of a committee to be known as the Central Committee, and to be composed of the individual members of the Federal Reserve Board, who are hereby constituted such Committee with the powers and for the purposes herein specified. The Central Committee shall appoint a committee for the general administration of the fund, to be known as the Cotton Loan Committee, and shall delegate to such committee such powers as in its absolute discretion may be necessary or advisable to properly carry out the purposes and safeguard the practical administration of this plan. The Cotton Loan Committee to be named by the Central Committee shall consist of the following: W. P. C. Harding, chairman, Washington, D. C.; Paul M. Warburg, Washington, D. C.; Albert H. Wiggin, New York; James S. Alexander, New York; James B. Forgan, Chicago, Ill.; Festus J. Wade, St. Louis, Mo.; Levi L. Rue, Philadelphia, Pa.; William A. Gaston, Boston, Mass.

The Cotton Loan Committee shall appoint committees in each of the cotton-producing States hereinbefore named, the title of each such committee to include the name of the State in which it shall be required to act for the Cotton Loan Committee, and each State committee shall appoint local committees in

sufficient number to safeguard the practical workings of the plan. All committees appointed to be subject to the approval of the Central Committee and all committees to serve without compensation of any kind.

All loans made from the fund created shall bear interest at the rate of 6 per cent per annum, payable in New York City funds to the Cotton Loan Committee on February 1, 1915, and quarterly thereafter, and all applications for loans must be made through banks or bankers, who shall in each instance accompany the application for such loans with a subscription to class "B" certificates in an amount equal to 25 per cent of the amount of the loan applied for. The subscriber to class "B" certificates applying for a loan for a customer will not be required to indorse the note of such customer and shall not be entitled or permitted to receive from such customer the payment of any commission on account of obtaining such loan. Such subscriber shall, however, in such form as the Cotton Loan Committee shall prescribe, guarantee the prompt and punctual payment by the borrower of interest on such loans and all warehouse charges and insurance premiums in connection with the collateral therefor, and shall undertake to collect such interest for and promptly transmit the same to the Cotton Loan Committee.

All loans made shall be first approved by the proper local committee, by the appropriate State committee, and by two members of the Cotton Loan Committee. When applications for loans have been approved as above provided the notes evidencing same, together with the collateral required under the terms of this plan, must be forwarded to the office of the Cotton Loan Committee, with instructions as to the disposition of the proceeds, and must, as stated, be accompanied with the subscription of the bank or banker forwarding the application to an amount of class "B" certificates equal to 25 per cent of the amount applied for.

In order to make the subscriptions to class "B" certificates immediately available, each subscription accompanied by an application for a loan must be accompanied by a New York draft of the bank or bankers through which the application is made, drawn to the order of the Cotton Loan Fund, or in such manner as the Cotton Loan Committee shall designate, said draft to be for an amount equal to 25 per cent of the loan applied for, and upon the granting of such loan a class "B" certificate for this amount shall be issued. In this manner 75 per cent of each loan will be provided by the fund obtained from class "A" subscribers and 25 per cent from the class "B" subscribers.

Each loan shall be evidenced by a note in form approved by the Cotton Loan Committee, and in addition to the guaranty fund hereinafter described shall be secured by cotton on the basis of 6 cents per pound for middling in such quantity as to provide a margin of 20 per cent above the face amount of the loan: *Provided, however,* That, since 100 bales is the customary commercial unit for cotton, unless otherwise determined by the Cotton Loan Committee in particular instances, no loan shall be made upon the security of less than that quantity.

As evidence of the security offered, each note tendered with an application for a loan must be accompanied by receipts of approved warehouses and by evidence of proper insurance. All cotton accepted as security must be located in warehouses or other buildings under the ownership and control of some person, firm, or corporation other than the borrower, and in approving such loans the local and State committees shall, respectively, pass upon the character of the warehouses, the form and sufficiency of the warehouse receipts and of the insurance, and shall be satisfied that such cotton is free from all liens except that created by the loan or loans from the fund to the borrower; and the said committees shall likewise be satisfied that the cotton offered as security is of the grade or grades specified in the application, none of which shall be under "low middling."

All expenses such as warehouse charges and insurance premiums shall be borne by the borrower.

In addition to the security hereinbefore specified, every applicant granted a loan from the fund shall pay to the Cotton Loan Committee a sum equal to 3 per cent of the face amount of the loan granted, which sum the applicant shall authorize the Cotton Loan Committee to deduct or withhold from the proceeds of such loan. All sums so paid, together with all interest earned from the investment thereof, shall constitute a mutual borrower's guarantee fund, to be drawn upon in the following order of priorities: First, for the payment of expenses of administration, which it is estimated will in no event exceed one-eighth of one per cent of the total fund for which provision is herein made;

second, to make up any deficiency in the amount available for payment of the class A certificates, with interest; and, third, to make up any deficiency in amount available for class B certificates with interest, whether such deficiencies result from losses sustained by reason of any loans made from the said Fund or otherwise; the balance, including all interest earned thereon, shall be returned *pro rata* to the borrowers.

The Cotton Loan Committee shall control the guaranty fund so created and may, in its discretion, invest all or any portion thereof in class A certificates herein provided for.

All applications for loans shall be made not later than February 1, 1915, and, except as hereinafter provided, all loans made shall mature on February 1, 1916, or, at the option of the borrower, may be paid 30 days after notice. If payment is thus anticipated, interest must be paid to the interest date then next ensuing. The Central Committee may, however, in its discretion, authorize the Cotton Loan Committee to extend any or all loans for a period not to exceed six months after February 1, 1916, if in the judgment of said Central Committee conditions at that time justify such extension.

Calls for payment of subscriptions to class A certificates shall be made as nearly *pro rata* as possible. In the event that on February 1, 1915, applications for loans shall not have been received to the extent of the full amount subscribed, the fund shall nevertheless be closed at the amount for which applications for loans mailed or delivered prior to February 2, 1915, shall be granted; and class A subscribers shall be released from the payment of balance of their subscriptions not required to make up said amount: *Provided, always, That* the fund shall not be considered to have been established for any purpose until class A subscriptions shall have been received to the extent of \$100,000,000.

As moneys become available for repayment to the subscribers, they will be applied against both class A and class B certificates, but the percentage of reduction in the case of class B certificates shall be one-half of that in the case of class A certificates until the amount of the latter outstanding shall be reduced to approximately the amount of class B certificates then outstanding, after which the percentage of reduction shall be the same. For example, if a payment is made on the class A certificates to the extent of 10 per cent of the aggregate face amount of such certificates then outstanding, a payment shall at the same time be made upon the class B certificates to the extent of 5 per cent of the aggregate face amount then outstanding. Again, if a payment on the class A certificates is made of an amount equivalent to $3\frac{1}{2}$ per cent of the aggregate face amount then outstanding, at the same time a payment on account of class B certificates will be made of an amount representing $1\frac{1}{2}$ per cent of the aggregate face amount of class B certificates then outstanding, which method of payment shall be continued until the amount of the two classes of certificates outstanding shall be approximately the same, after which all sums distributed shall be divided *pro rata* among all certificate holders, regardless of the two classes.

Any member of the Central Committee may resign by delivering his resignation in writing to the other members, and any vacancy resulting from death, resignation, inability to act, or any other cause shall be filled by the remaining members at a meeting called for the purpose, or in writing without a meeting. Until any such vacancy or vacancies at any time existing shall be so filled the remaining members shall constitute the Central Committee for any and all purposes, and shall be fully authorized to exercise all the powers and perform all the duties thereof. All powers vested in the Central Committee shall require for their exercise the assent or approval, with or without a meeting, of at least a majority of the members thereof at the time. Any member of the Central Committee may act by proxy or power of attorney, executed to any person, whether or not a member of that Committee. No member of the Central Committee shall be personally liable under any circumstances for or on account of any matter or thing whatsoever, except his own individual willful malfeasance, and no member shall be liable for the acts or neglects of any other member. The purposes of the Central Committee shall be, and the Committee shall have full power and authority to do or cause to be done any and all acts and things deemed by it necessary, proper, or expedient in connection with the direction of the administration of the Cotton Loan Fund, and the enumeration herein of specific powers shall not

under any circumstances be construed to limit the general powers and discretion intended to be conferred hereby upon the Central Committee in order fully to authorize it to do or cause to be done any and all such acts and things. The Central Committee may appoint an agent or agents to assist it in accomplishing the purposes and intents hereof, and for the neglects or omissions of such agent or agents (care believed to be reasonable having been exercised in his or their selection), no member of said Committee shall incur any responsibility whatsoever. The Central Committee may employ and may advise with counsel, and for anything done or suffered by it in accordance with the advice of counsel any member of the Committee shall not be liable to any one.

Dated November 30, 1914.

The undersigned, designated as The Central Committee in the outline of Plan for the Cotton Loan Fund dated October 17, 1914, and in the annexed Completed Plan dated November 30, 1914, which has been approved by the Federal Reserve Board, hereby severally accept our appointment as members of said The Central Committee; and agree to assume the general direction of the administration of said Cotton Loan Fund as in said Plan provided.

Dated November 30, 1914.

W. G. McADOO, *Chairman*,
J. S. WILLIAMS.
CHARLES S. HAMLIN.
PAUL M. WARBURG.
F. A. DELANO.
W. P. G. HARDING.
A. C. MILLER.

NOTE.—Corporations must affix their seals.

SUBSCRIPTION AGREEMENT.

The undersigned hereby assent to the foregoing Plan, dated November 30, 1914, for the creation of a Fund to be known as the Cotton Loan Fund, which has been approved by the Federal Reserve Board, and as class A subscribers mentioned in said Plan, each for himself or itself and not for any other, hereby agree with each other, with all other subscribers and with The Central Committee in said Plan designated and appointed, to contribute to the said Fund, subject to the terms and provisions of said Plan, the sums hereinafter set opposite their respective names, and to pay said sums in New York funds at the office or agency in the City and State of New York, of the Cotton Loan Committee in said Plan mentioned, at one time or from time to time in installments, to or upon the order of said Cotton Loan Committee, as called by it, provided, however, that the undersigned shall be under no obligation hereunder or by virtue hereof until said sums so agreed to be contributed and paid by class A subscribers shall aggregate the sum of one hundred million dollars. This assent and agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall constitute but one and the same assent and agreement.

In witness whereof the undersigned individuals have hereunto subscribed their names and the undersigned corporations have caused these presents to be executed by their duly authorized officer or officers, and their respective corporate seals to be hereunto affixed this — day of December, 1914.

Names.	Amounts.	Addresses.

EXHIBIT O.

DECISION OF THE RESERVE BANK ORGANIZATION COMMITTEE DETERMINING THE FEDERAL RESERVE DISTRICTS AND THE LOCATION OF THE FEDERAL RESERVE BANKS.

[Under the Federal reserve act approved Dec. 23, 1913.]

The Federal reserve act directs the reserve bank organization committee to "designate not less than 8 nor more than 12 cities, to be known as Federal reserve cities;" to "divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities;" and to apportion the districts "with due regard to the convenience and customary course of business." The act provides that the districts may not necessarily be coterminous with any State or States.

In determining the reserve districts and in designating the cities within such districts where Federal reserve banks shall be severally located, the organization committee has given full consideration to the important factors bearing upon the subject. The committee held public hearings in 18 of the leading cities from the Atlantic to the Pacific and from the Great Lakes to the Gulf, and was materially assisted thereby in determining the districts and the reserve cities.

Every reasonable opportunity has been afforded applicant cities to furnish evidence to support their claims as locations for Federal reserve banks.

More than 200 cities, through their clearing-house associations, chambers of commerce, and other representatives, were heard. Of these, 37 cities asked to be designated as the headquarters of a Federal reserve bank.

The majority of the organization committee, including its chairman and the Secretary of Agriculture, were present at all hearings, and stenographic reports of the proceedings were made for more deliberate consideration. Independent investigations were, in addition, made through the Treasury Department, and the preference of each bank as to the location of the Federal reserve bank with which it desired to be connected was ascertained by an independent card ballot addressed to each of the 7,471 national banks throughout the country which had formally assented to the provisions of the Federal reserve act.

Among the many factors which governed the committee in determining the respective districts and the selection of the cities which have been chosen were:

First. The ability of the member banks within the district to provide the minimum capital of \$4,000,000 required for the Federal reserve bank, on the basis of 6 per cent of the capital stock and surplus of member banks within the district.

Second. The mercantile, industrial, and financial connections existing in each district and the relations between the various portions of the district and the city selected for the location of the Federal reserve bank.

Third. The probable ability of the Federal reserve bank in each district, after organization and after the provisions of the Federal reserve act shall have gone into effect, to meet the legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal reserve act.

Fourth. The fair and equitable division of the available capital for the Federal reserve banks among the districts created.

Fifth. The general geographical situation of the district, transportation lines, and the facilities for speedy communication between the Federal reserve bank and all portions of the district.

Sixth. The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its record of growth and development in the past, and its prospects for the future.

In determining the several districts the committee has endeavored to follow State lines as closely as practicable, and wherever it has been found necessary to deviate the division has been along lines which are believed to be most convenient and advantageous for the district affected.

The 12 districts and the 12 cities selected for the location of the Federal reserve banks are as follows:

DISTRICT No. 1.—*The New England States: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut, with the city of Boston as the location of the Federal reserve bank.*

This district contains 445 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of Boston, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$9,924,543.

DISTRICT No. 2.—*The State of New York, with New York City as the location of the Federal reserve bank.*

This district contains 477 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of New York, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$20,621,606; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$20,687,606.

DISTRICT No. 3.—*The States of New Jersey and Delaware and all that part of Pennsylvania located east of the western boundary of the following counties: McKean, Elk, Clearfield, Cambria, and Bedford, with the Federal reserve bank in the city of Philadelphia.*

This district contains 757 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of Philadelphia, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$12,488,138; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$12,500,738.

DISTRICT No. 4.—*The State of Ohio; all that part of Pennsylvania lying west of district No. 3; the counties of Marshall, Ohio, Brooke, and Hancock, in the State of West Virginia; and all that part of the State of Kentucky located east of the western boundary of the following counties: Boone, Grant, Scott, Woodford, Jessamine, Garrard, Lincoln, Pulaski, and McCreary, with the city of Cleveland, Ohio, as the location of the Federal reserve bank.*

This district contains 767 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Cleveland, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$12,007,384; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$12,100,384.

DISTRICT No. 5.—*The District of Columbia, and the States of Maryland, Virginia, North Carolina, South Carolina, and all of West Virginia except the counties of Marshall, Ohio, Brooke, and Hancock, with the Federal reserve bank located in the city of Richmond, Va.*

This district contains 475 national banks which have accepted the provisions of the Federal Reserve Act. The capital stock of the Federal Reserve Bank of Richmond, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$6,303,301; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$6,542,713.

DISTRICT No. 6.—*The States of Alabama, Georgia, and Florida; all that part of Tennessee located east of the western boundary of the following counties: Stewart, Houston, Wayne, Humphreys, and Perry; all that part of Mississippi located south of the northern boundary of the following counties: Issaquena, Sharkey, Yazoo, Kemper, Madison, Leake, and Neshoba; and all of the southeastern part of Louisiana located east of the western boundary of the following parishes: Pointe Coupee, Iberville, Assumption, and Terrebonne, with the city of Atlanta, Ga., as the location of the Federal reserve bank.*

This district contains 372 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of Atlanta, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$4,641,193; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$4,702,558.

DISTRICT No. 7.—*The State of Iowa; all that part of Wisconsin located south of the northern boundary of the following counties: Vernon, Sauk, Columbia, Dodge, Washington, and Ozaukee; all of the southern peninsula of Michigan, viz, that part east of Lake Michigan; all that part of Illinois located north of a line forming the southern boundary of the following counties: Hancock, Schuyler, Cass, Sangamon, Christian, Shelby, Cumberland, and Clark; and all that part of Indiana north of a line forming the southern boundary of the following counties: Vigo, Clay, Owen, Monroe, Brown, Bartholomew, Jennings, Ripley, and Ohio, with the Federal reserve bank located in the city of Chicago, Ill.*

This district contains 952 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of Chicago, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$12,479,876; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$12,967,701.

DISTRICT No. 8.—*The State of Arkansas; all that part of Missouri located east of the western boundary of the following counties: Harrison, Daviess, Caldwell, Ray, Lafayette, Johnson, Henry, St. Clair, Cedar, Dade, Lawrence, and Barry; all that part of Illinois not included in district No. 7; all that part of Indiana not included in district No. 7; all that part of Kentucky not included in district No. 4; all that part of Tennessee not included in district No. 6; and all that part of Mississippi not included in district No. 6; with the city of St. Louis, Mo., as the location of the Federal reserve bank.*

This district contains 458 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of St. Louis, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$4,990,761; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$6,367,006.

DISTRICT No. 9.—*The States of Montana, North Dakota, South Dakota, Minnesota; all that part of Wisconsin not included in district No. 7, and all that part of Michigan not included in district No. 7, with the city of Minneapolis, Minn., as the location of the Federal reserve bank.*

This district contains 687 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of Minneapolis, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$4,702,925.

DISTRICT No. 10.—*The States of Kansas, Nebraska, Colorado, and Wyoming; all that part of Missouri not included in district No. 8; all that part of Oklahoma north of a line forming the southern boundary of the following counties: Ellis, Dewey, Blaine, Canadian, Cleveland, Pottawatomie, Seminole, Okfuskee, McIntosh, Muskogee, and Sequoyah; and all that part of New Mexico north of a line forming the southern boundary of the following counties: McKinley, Sandoval, Santa Fe, San Miguel, and Union, with the city of Kansas City, Mo., as the location of the Federal reserve bank.*

This district contains 836 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of Kansas City, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$5,590,015; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$5,600,977.

DISTRICT No. 11.—*The State of Texas; all that part of New Mexico not included in district No. 10; all that part of Oklahoma not included in district No. 10; all that part of Louisiana not included in district No. 6; and the following counties in the State of Arizona: Pima, Graham, Greenlee, Cochise, and Santa Cruz, with the city of Dallas, Tex., as the location of the Federal reserve bank.*

This district contains 731 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of Dallas, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$5,540,020; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$5,653,924.

DISTRICT No. 12.—*The States of California, Washington, Oregon, Idaho, Nevada, and Utah, and all that part of Arizona not included in district No. 11, with the city of San Francisco, Cal., as the location of the Federal reserve bank.*

This district contains 514 national banks which have accepted the provisions of the Federal reserve act. The capital stock of the Federal Reserve Bank of San Francisco, on the basis of 6 per cent of the total capital stock and surplus of the assenting national banks in the district, will amount to \$7,825,375; and if there be added 6 per cent of the capital stock and surplus of the State banks and trust companies which have applied for membership up to April 1, 1914, the total capital stock will be \$8,115,494.

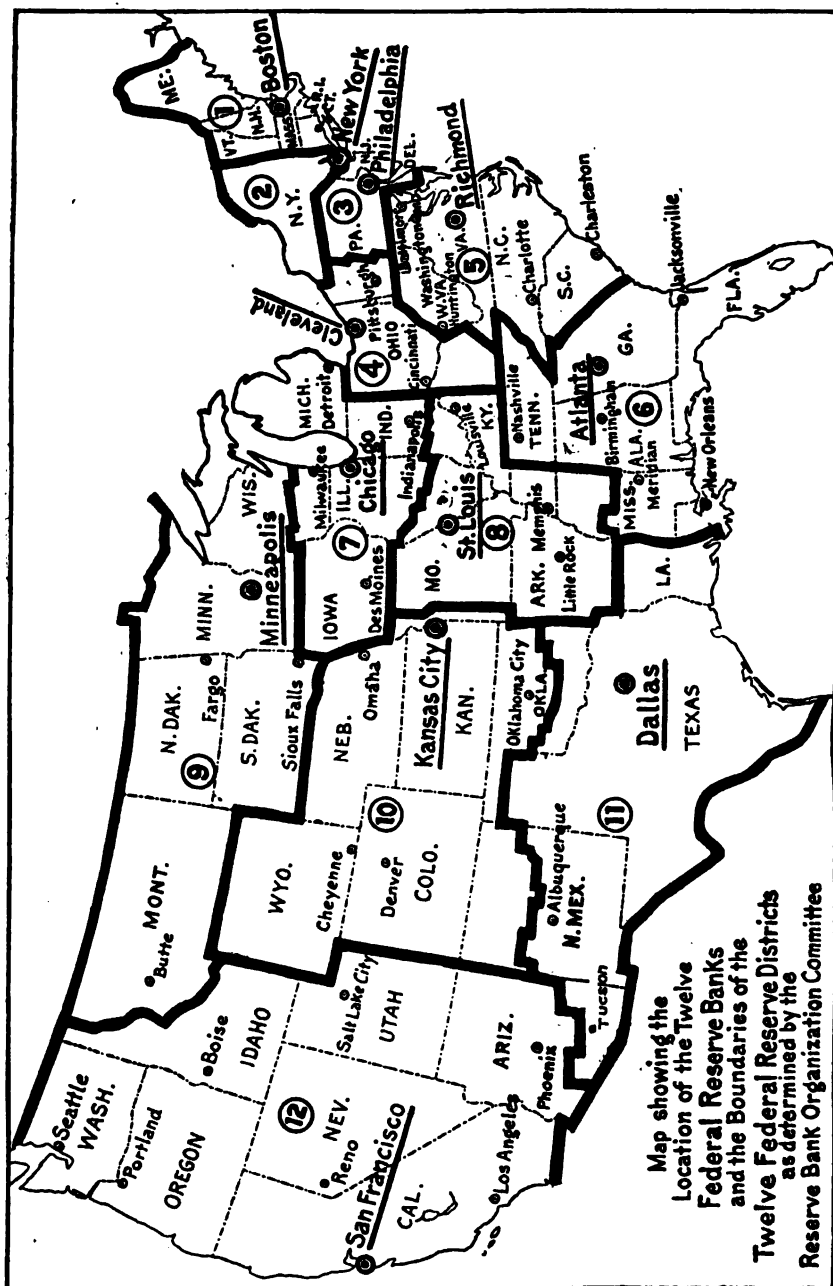
The committee was impressed with the growth and development of the States of Idaho, Washington, and Oregon, but on the basis of 6 per cent of the capital stock and surplus of national banks and State banks and trust companies which have applied for membership, that section could not provide the \$4,000,000 minimum capital stock required by the law. With the continued growth of that region it is reasonable to expect that in a few years the capital and surplus of its member banks will be sufficient to justify the creation of an additional Federal reserve district, at which time application may be made to the Congress for a grant of the necessary authority.

It is no part of the duty of the organization committee to locate branches of the Federal reserve banks. The law specifically provides that "each Federal reserve bank shall establish branch banks within the Federal reserve district in which it is located." All the material collected by the committee will be placed at the disposal of the Federal reserve banks and the Federal Reserve Board when they are organized and ready to consider the establishment of branch banks.

Reference is made to the map of the districts and to Tables A, B, C, D, E, and F, hereto attached.

W. G. McADOO,
D. F. HOUSTON,
JNO. SKELTON WILLIAMS,
Reserve Bank Organization Committee.

WASHINGTON, D. C., April 2, 1914.



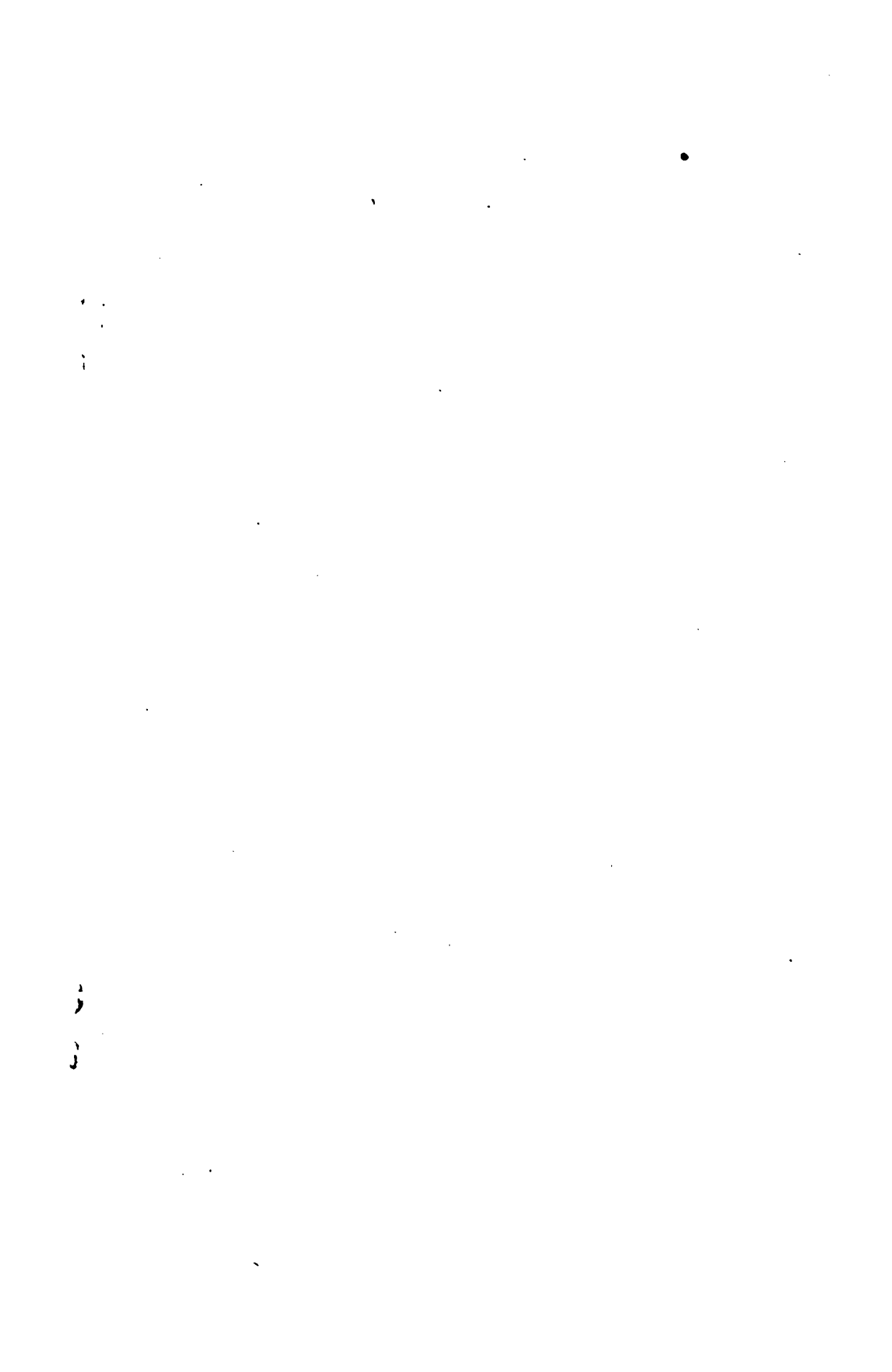
INDEX.

Act of—	Page.
June 20, 1874, partly repealed.....	41
May 30, 1908, extended until June 30, 1915.....	44
Alaska, National Bank of, not required to join Federal reserve system.....	41
Assistant Secretaries of Treasury not permitted to take office with member bank for two years after retiring.....	32
Bank, definition.....	25
Bank examiner:	
No loans or gratuity to be extended to, by a bank.....	42
Salaries fixed by Federal Reserve Board.....	41
Board, definition of.....	25
Bank reserves, requirements concerning.....	40, 41
Circular No. 1. Duties and powers of organization committee.....	63-65
Circular No. 2. Plans for organization of Federal Reserve Board.....	65-68
Circular No. 3. Request for information regarding condition of nonreserve city banks.....	68
Circular No. 4. Report of the gold-fund preliminary commission.....	70-72
Circular No. 5. Letter to clearing-house associations relative to gold fund.....	72, 73
Circular No. 6. Draft of tentative by-laws of Federal Reserve Board.....	74-77
Circular No. 6a. Draft of by-laws of Federal reserve bank.....	77-79
Circular No. 7. Draft of a system of uniform accounting for the banks.....	79-119
Circular No. 8. Plan of tentative organization of Federal reserve banks in cer- tain essentials.....	119-165
Circular No. 9a. Procedure in convention of directors and officers of Federal re- serve banks.....	165-167
Circular No. 10. Transfer of reserves to Federal reserve banks.....	9, 167
Circular No. 11. Convention of officers and directors, Federal reserve banks, Oc- tober 20-21, 1914; committee reports.....	167-178
Circular No. 11a. Definition of duties of Federal reserve agents and deputy Federal reserve agents.....	176-178
Circular No. 12. Stock subscription of member banks.....	178-182
Circular No. 12a. Supersedes Circular No. 12.....	180-182
Circular No. 13. Discount policy of Federal reserve bank at outset.....	9, 182-185
Circulating emergency currency, tax on.....	44
Clearinghouse representatives, conference with.....	13
Clearing of checks.....	19, 20
Commercial paper—rates:	
Prevailing at different centers, as reported to Federal Reserve Board....	204, 205
Purchase of.....	9
Comptroller of the Currency:	
To appoint bank examiners and authorize examinations.....	41
To have dies prepared for engraving reserve notes.....	38
Not permitted to take office with member bank for two years after retiring.....	32
Constitutionality, one section shall not impair another.....	44
Cotton-fund plan.....	14
Cotton-loan fund, plan and subscription agreement.....	14, 206-209
Currency situation, at the time of opening of the Federal reserve banks.....	15
Decision of the reserve bank organization committee.....	210
Definition of terms used in Federal reserve act.....	25
Deputy Federal reserve agent, definition of duties of.....	178-178
Discount rates, tabulation of, for all Federal reserve banks (Exhibit M).....	203
District.....	25
Definition.....	25
Each to have Federal reserve city.....	25
Designated by number.....	25
May be adjusted.....	25

Division of Audit and Examinations, functions of. (See Federal Reserve Board.)	Page.
Exhibit A. Act creating Federal reserve system.....	25-44
Exhibit B:	
An act to amend section 27, Federal reserve act.....	44
An act amending section 19, Federal reserve act.....	45, 46
Exhibit C. Organization of the Federal Reserve Board.....	46-54
Exhibit D. Status of Federal Reserve Board.....	54-57
Exhibit E. Circulars and regulations of the Federal Reserve Board.....	57-184
Exhibit F. Federal advisory council, members of.....	185
Exhibit G. Officers and directors of Federal reserve banks and their salaries.	185-190
Exhibit H. Convention of directors of Federal reserve banks.....	190-192
Exhibit I. Appeals from decisions of the reserve bank organization committee.....	192, 193
Exhibit J. Federal reserve notes received, issued to Federal reserve agents, and on hand in the Federal issue division December 31, 1914.....	194, 195
Exhibit K. Condition of Federal reserve banks November 20 to December 31, 1914.....	195-197
Exhibit L:	
Net balances Federal reserve banks.....	198
Initial reserve payments, manner in which made, and composition of reserves of Federal reserve banks.....	200-202
Exhibit M. Changes in discount rates of Federal reserve banks.....	203
Exhibit N. Cotton loan fund.....	206-209
Exhibit O. Decision of the reserve bank organization committee.....	210
Federal advisory council:	
In relation to the board.....	20-34
Organization of, and members of.....	185
Powers of.....	34
Federal reserve agent, definition of duties of.....	176-178
Form of accounts for use of.....	102
Relations to the Federal reserve banks and to the Federal Reserve Board..	7
To hold gold (gold certificates or lawful money) for outstanding reserve notes.....	37
Federal reserve notes issued to.....	194, 195
Form of bond.....	62
Federal reserve banks:	
Application for, to be filed with Comptroller of the Currency.....	27
Board of directors, composition and mode of selection of.....	28
Capital stock, increase and decrease.....	29
Changes in discount rates of.....	203
Choice of directors.....	7
Clearing functions of.....	19
Composition of reserves held by.....	202
Condition of, November 20 to December 31, 1914.....	195-197
Clearing functions.....	38
Convention of officers and directors of.....	165-176, 190-192
Discount policy of, at outset.....	182-185
Division of earnings.....	30
Liabilities, November 20 to December 31, 1914.....	197
May establish branch offices in their districts.....	27
May reduce liabilities for outstanding Federal reserve notes.....	37
May substitute collateral held by agent.....	37
Members of, not more than one to be selected from any one district.....	32
Net balances due to and from other Federal reserve banks.....	198, 199
No Member of Congress shall be a director of.....	23
Officers and directors of, and their salaries.....	185-190
Opened November 16.....	5
Open-market operations.....	16, 35
Organization certificate enumerated powers of.....	27
Place and functions of.....	17-19
Powers of.....	34-36
Resources, November 20 to December 31, 1914.....	195, 196
Shall not pay out notes issued by another Federal reserve bank under penalty of 10 per cent tax.....	37
Shall not start with less than \$4,000,000 of subscribed capital.....	26
Shareholders' responsibility.....	26
State banks and trust companies may become members of.....	31

Federal reserve banks—Continued.	Page.
System of accounting for.....	79-119
Tentative plan of organization.....	119-165
Tenure of office of directors.....	29
To bear expense of engraving dies.....	38
To deposit with the Treasury a redemption fund of at least 5 per cent.....	37
To maintain reserve in gold of not less than 40 per cent of notes in circulation.....	36
To maintain reserve in gold or lawful money of not less than 35 per cent of deposits.....	36
Transfer of reserves to.....	167-200
United States may be allotted stock.....	26
Federal Reserve Board:	
Circulars and regulations issued by. <i>See</i> Circulars; Regulations.	
Commercial paper, rates reported to.....	204, 205
Discount policy.....	10
Division of Audit and Examination, organization and functions of.....	21, 50-54
Division of Reports and Statistics.....	21
Early problems of, as the result of the European war.....	6
Expenses of.....	22
First report of.....	5, 24
Governor of.....	32
Members to devote entire time to their duties.....	32
Members of, ineligible for employment in any member bank for two years after retiring from office.....	32
No Member of Congress may be a member of.....	28
No member of, shall hold stock or be an officer of any bank.....	32
One member to retire each second year.....	32
Organization of.....	21
Personnel of.....	21, 46-49
Power to levy assessment on Federal reserve banks.....	32
Powers of.....	33, 34
Salary of members.....	32
To employ necessary assistance, etc.....	34
Tenure of office of members.....	32
Send out forms for information regarding condition of banks in nonreserve cities.....	68-70
Status of, defined by Attorney General.....	54-57
To consist of seven members.....	32
To order examination of reserve banks at least once a year, etc.....	41, 42
To report annually to the Speaker of the House of Representatives.....	33
Two members to be experienced in banking.....	32
Vacancies filled by President.....	32
Federal reserve districts, number of.....	25
Federal reserve notes:	
Amounts and denominations issued to Federal reserve agents.....	194, 195
Redeemable in gold at the Treasury Department at Washington, and in gold or lawful money at any Federal reserve bank.....	36
To be obligations of the Government.....	36
Gold exchange fund.....	12
Gold reserve with Secretary of the Treasury, forms of accounts.....	103
Government bonds to be refunded.....	38
Government deposits with reserve banks.....	36
Government may issue one-year gold notes for 2 per cent bonds.....	39
Loans upon farm lands, how banks may make.....	42
Member bank:	
Definition.....	25
Initial reserve payments made.....	200, 201
No extra fee, etc., may be paid an officer or employee of.....	42
National bank, definition.....	25
National banking association, definition.....	25
National banks:	
Failing to join the Federal reserve system within one year after the passage of the Federal reserve act lose their rights under the national-bank act.	
Foreign branches.....	42, 43
Of Alaska, may remain outside the Federal reserve system.....	46
Permitted to reduce their capital.....	43
Stockholders are individually responsible for debts, etc.....	42
Note issues, reserve notes to reserve banks.....	36

	Page.
Open-market operations of Federal reserve banks.....	16
Personnel of Federal Reserve Board. <i>See</i> Federal Reserve Board.	
Regulation No. 1. Procedure in appeals.....	57
Regulation No. 2. Rediscount operations, etc.....	58
Regulation No. 3. Evidence as to character of bills offered for rediscount.....	60
Regulation No. 4. Form of statement on the face of bills, etc., offered for rediscount.....	60
Regulation No. 5. Notes for agricultural purposes, etc.....	61
Regulation No. 6. Bank acceptances, statement on face of.....	61
Regulation No. 7. Defining deposits.....	61
Regulation No. 8. Form of bond for reserve agents.....	62
Regulation No. 9. Loans on farm lands, regulations governing.....	62, 63
Reserve agent. <i>See</i> Federal reserve agent.	
Reserve bank organization committee:	
Appeals from decision of, list of.....	192, 193
Created.....	25
Duties and powers of.....	63-65
Empowered to employ assistance.....	25
Inquiries answered by.....	65-68
Reserves:	
Readjustments of, following the opening of the Federal reserve banks....	11
Rules and regulations governing.....	45
Salaries of officers and directors of Federal reserve banks.....	189
Secretary of the Treasury:	
Gold reserve with, forms of accounts.....	103
Not permitted to take office with member bank for two years after retiring.	32
Powers of, not curtailed by the Federal reserve act.....	33
State banks, admission of, into Federal reserve system.....	20
Statement A. Initial reserve payments.....	200-202
Statement B. Composition of reserves.....	202



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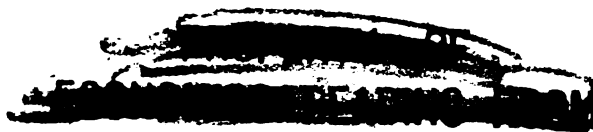
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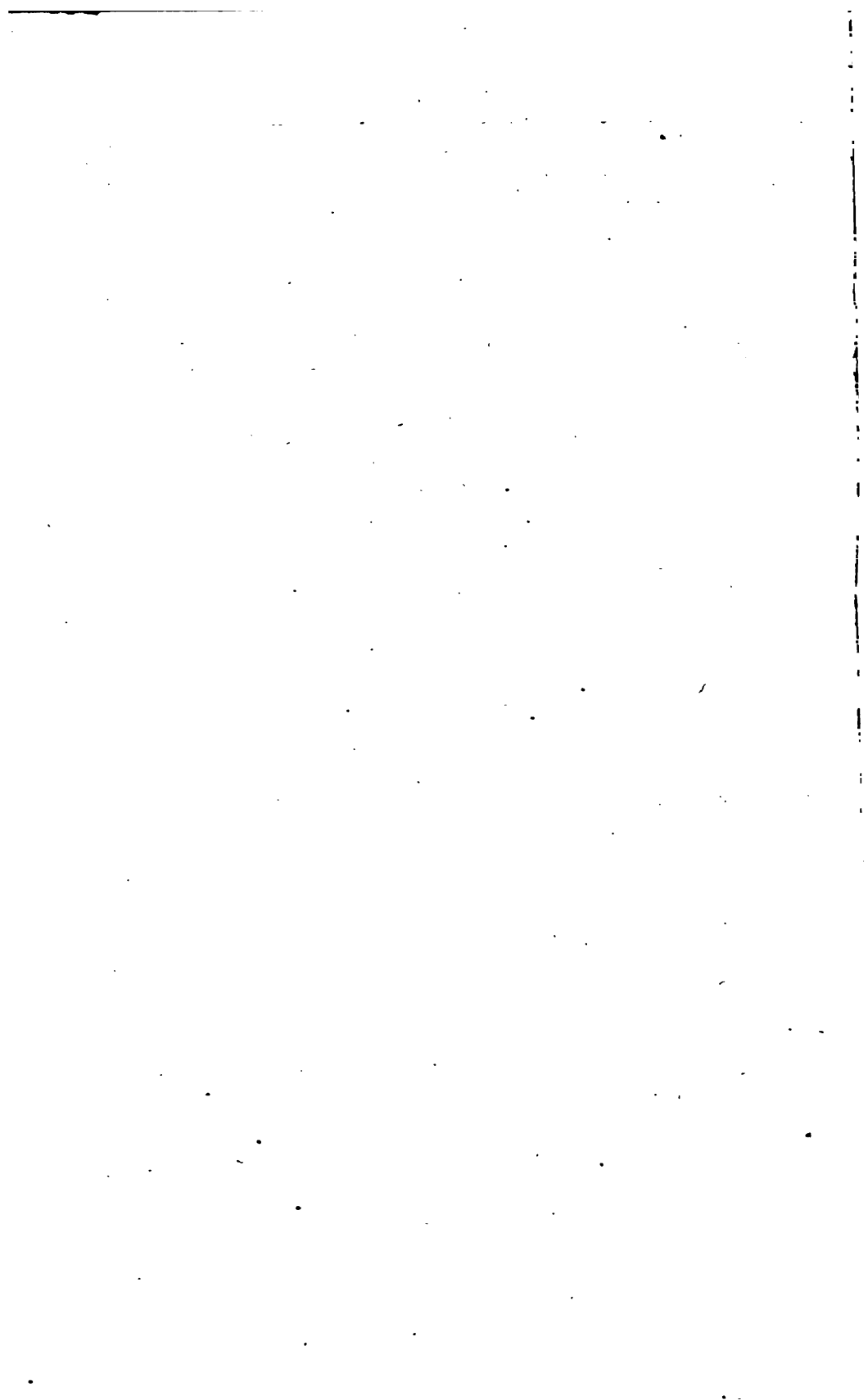
FOR THE YEAR ENDING

DECEMBER 31

1915



WASHINGTON
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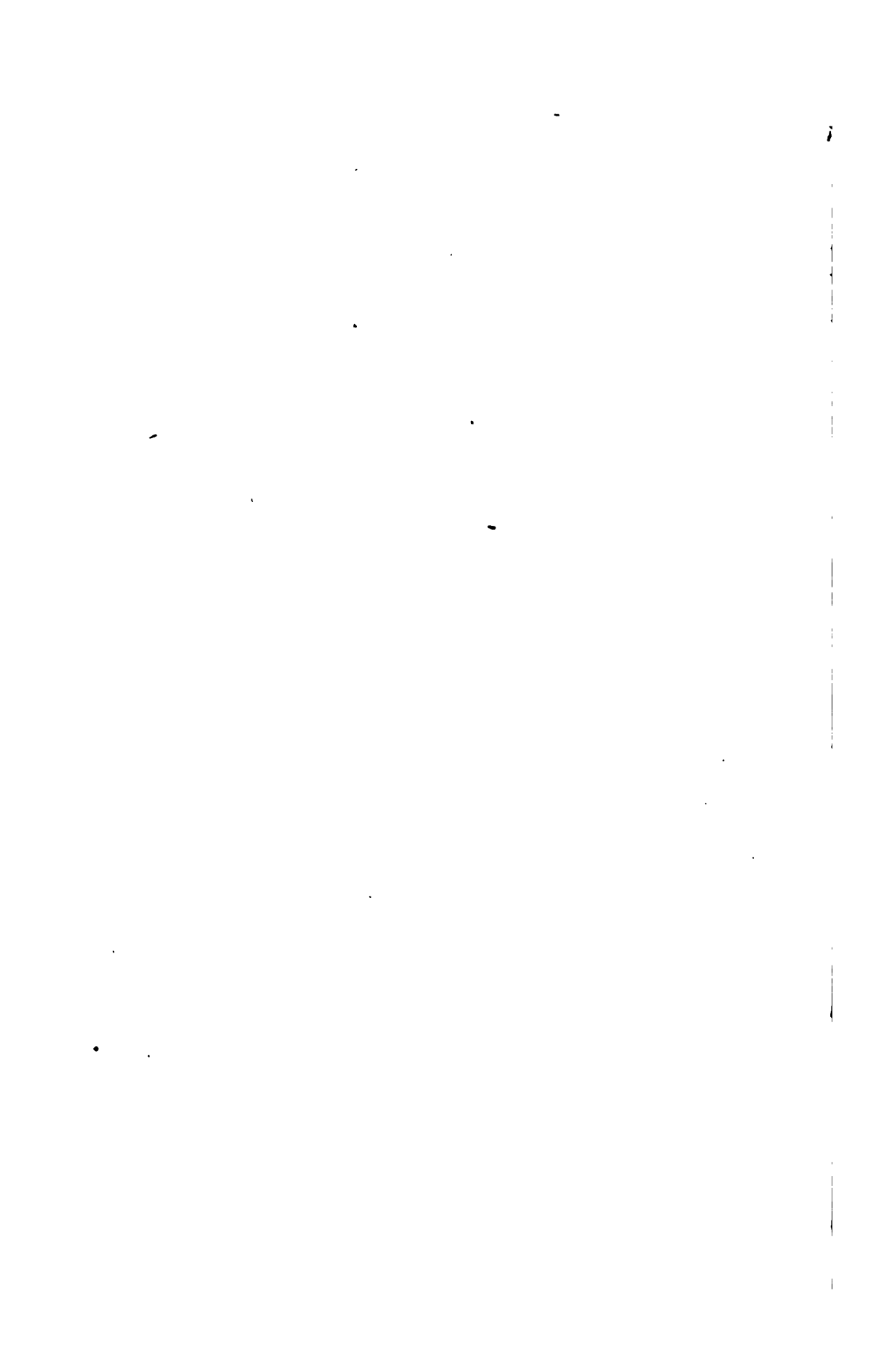


TABLE OF CONTENTS.

	Page.
PART I.—REPORT OF THE FEDERAL RESERVE BOARD.....	1-120
Letter of transmittal.....	1
General condition of money market.....	1
Growth of export trade.....	2
Definition of paper.....	3
Discount policy.....	5
Federal Reserve Banks as fiscal agents.....	6
Cotton crop movement.....	7
Currency movement.....	8
Foreign borrowing.....	9
Standardization of commercial paper.....	10
Unification of banking.....	11
Clearings and collections.....	14
Issue of Federal Reserve notes.....	17
Branches and agencies.....	18
Changes in Federal Reserve districts.....	18
Operation and expenses of Federal Reserve Banks.....	19
Operations of the Federal Reserve Board.....	21
Proposed amendments to the Federal Reserve Act.....	21
EXHIBITS.	
Exhibit A.—Discount rates.....	27
Exhibit B.—Federal Reserve notes.....	30
Exhibit C.—Statements of condition of Federal Reserve Banks.....	45
Exhibit D.—Discount and other investment operations of Federal Reserve Banks.....	66
Exhibit E.—Gold settlement fund.....	77
Exhibit F.—Intradistrict clearings.....	82
Exhibit G.—Receipts and disbursements of the Federal Reserve Board..	83
Exhibit H.—Earnings and expenses of Federal Reserve Banks.....	87
Exhibit I.—Estimated expense and dividend requirements of Reserve Banks.....	96
Exhibit J.—Personnel and salaries:	
(1) Salaries paid by Federal Reserve Banks.....	97
(2) Salaries of officers and employees of the Federal Re- serve Board.....	100
(3) Salaries paid national-bank examiners.....	101
Exhibit K.—Procedure in passing upon applications of national banks for fiduciary powers under section 11 (k) of the Federal Reserve Act.....	103
Exhibit L.—Reserve requirements for State banks and trust companies..	104
Exhibit M.—Changes in Federal Reserve districts.....	114

	Page.
Part II.—REPORTS OF FEDERAL RESERVE AGENTS TO FEDERAL RESERVE	
BOARD	121-388
District No. 1—Boston.....	123
District No. 2—New York	151
District No. 3—Philadelphia.....	211
District No. 4—Cleveland.....	231
District No. 5—Richmond	241
District No. 6—Atlanta.....	271
District No. 7—Chicago.....	281
District No. 8—St. Louis	291
District No. 9—Minneapolis.....	313
District No. 10—Kansas City.....	335
District No. 11—Dallas	351
District No. 12—San Francisco.....	357
Directory of the Federal Reserve Board and officers and directors of Federal Reserve Banks	389

PART I.

REPORT OF THE FEDERAL RESERVE BOARD, WITH EXHIBITS.

ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

FEDERAL RESERVE BOARD,
Washington, February 1, 1916.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES:

SIR: The first annual report of the Federal Reserve Board, rendered in accordance with the requirements of section 10 of the Federal Reserve Act, was transmitted under date of January 15, 1915, at a time when the Federal Reserve Banks had barely begun active business operations. The Board herewith submits its second report, the first that permits a review of the actual operation of the new system.

In order to provide a complete account of the working of the Federal Reserve System, the Board has called upon each Federal Reserve Agent for a detailed report of the operations and problems of his bank during the year 1915.

The various Federal Reserve Agents have responded fully, and their reports are published as part 2 of this report. Owing to the similarity of problems and experiences in the various districts, it is inevitable that these reports to a certain extent should all cover the same ground, and repetitions were therefore unavoidable, both in the body of the reports and in the statistical material furnished. The Board has, however, deemed it best to present them in somewhat condensed form, in the belief that such publication will furnish very desirable information and will be welcome in this form, particularly to member banks desiring information concerning conditions and operations in any particular district.

GENERAL CONDITION OF MONEY MARKET.

A condition of remarkable ease has been the outstanding feature of the money market of the country during the first year of operation under the Federal Reserve Act. Whatever other causes may have contributed to this result, much of it is due to the stability established and the feeling of security inspired, by the new banking system; so much of it, indeed, as to afford a striking vindication of the wisdom of the law and the efficiency of the agencies of its administration even in advance of the fuller development of their activities. The test of a banking and financial system is its operation. More than a year will be needed for an adequate test of our new banking system. The year ~~which~~ ^{which} has, however, has, owing

to the continuance of the economic disturbances and financial uncertainties engendered by the European war, been of more than ordinary significance in supplying experience of the kind that tests the strength of a financial and credit system, and deserves, therefore, extended notice as a period of importance in the history and working of the Federal Reserve Act.

The year 1915 has been a period of marked and sudden transition. In almost every department of financial life conditions have been completely altered. At the close of 1914 foreign commerce was uncertain, business conditions depressed, manufacturing conducted upon a somewhat restricted basis, a considerable floating indebtedness to foreign countries had still to be liquidated, the commodity exchanges of the country were either closed or operating under very great limitations. To-day the export trade of the country has reached the high-water mark, manufacturing is active in nearly all lines and in nearly all sections of the country. Demand for practically all agricultural products is strong, the commodity exchanges of the country are open, depression in business life has given way to a condition of extreme activity. The change has been most notable in certain special industries, where the transformation of conditions has been so great as to be startling. In this fundamental change affecting the whole basis of business and commercial life throughout the country, it has been the part of wisdom that Federal Reserve Banks should conserve their resources and hold themselves in readiness to meet any unexpected developments in the situation. This object has been constantly held in view both by the Federal Reserve Banks themselves and by the Federal Reserve Board. Preparedness and efficiency have, indeed, been the important elements in the Board's policy, and this policy, together with the disturbed conditions abroad which have prevented the reserve banks from engaging in certain classes of operations open to them under the Act, have naturally limited the scope of the operations for the first year of their existence.

GROWTH OF EXPORT TRADE.

The financial history of the year has been to an unprecedented extent founded upon development of the export trade of the United States. That trade, which had been in many departments almost prostrate immediately after the opening of the European war, promptly recovered its vigor in many branches, so that during the early stages of the year's operations, terminating about February, 1915, a surplus of exports, largely of agricultural products, was used to liquidate floating indebtedness existing at the opening of the war. This debt the Board soon after its organization estimated at about \$500,000,000. Since then large surpluses of exports have been paid for to a consid-

erable extent through the return of American securities held by foreign owners. Still later, the international balances resulting from continued purchase of goods were settled largely upon a credit basis, aided by sales and transfers of securities sent by foreign owners to the United States. It has been only within the past few months that there can be said to have been restoration of general activity resulting in the development of conditions likely to be ultimately reflected in demands upon the Federal Reserve Banks. There has been within the past few months a very great expansion of loans and deposits by member banks, as is shown by the fact that, whereas the combined loans of national banks were \$6,347,636,570.27 at the end of 1914, they were, on November 10, 1915, \$7,233,928,973.15; while total deposits between the said dates have increased from \$8,236,468,374.36 to \$10,157,472,691.86. These facts would seem to indicate that it is prudent to be prepared for a time when the reserve resources of the country will be subjected to a severe test and when the leadership and the operations of the Federal Reserve Banks will become correspondingly more influential.

DEFINITION OF PAPER.

The Board has devoted itself to a definition of different classes of paper which, under the terms of the Federal Reserve Act, may be considered eligible for discount at Federal Reserve Banks, seeking to classify and describe the various kinds, and to fix the qualifications of eligibility upon a reasonable and unmistakable basis which should make clear to the commercial world the conditions to be observed in dealings with Federal Reserve Banks. It has prepared with great care regulations fixing conditions under which banks other than national may be admitted to the system, in order that State institutions may have adequate opportunity to join and ample notice regarding the conditions under which they may be admitted to membership.

The Board has given much attention to the adoption of appropriate measures designed to facilitate the movement of exports and of others intended to promote the ready movement of crops. All this has been done upon a basis furnished by the general work previously accomplished in defining commercial paper and in issuing standard regulations designed to describe the essential elements of the principal types. Very satisfactory results have been accomplished through these efforts. The crop-moving season has been unusually easy with exceptionally little strain or indication of stringency in any locality. The process of financing an enormous and abnormal movement of exports has proceeded without shock. The development of the bankers' acceptance, by means of which American institutions are beginning to occupy a leading place in the financing of the world's international trade, has gone steadily forward. The total amount of

such acceptances outstanding at the close of the year 1915 is estimated at fully \$100,000,000—an auspicious beginning in this branch of business and one of significant importance, not only with regard to the service rendered to many who would otherwise have suffered from the withdrawal of European credit facilities, but also because of the valuable field of investment thereby opened to the Federal Reserve Banks themselves. Much, nevertheless, remains to be done. Conditions in the principal financial markets of Europe have been such that the Board has not deemed it wise to encourage the several reserve banks either to establish agencies abroad or to embark actively upon foreign exchange transactions. The coming year will see large progress in all of these respects. Foreign banking operations in some fields at least, it is hoped, will not be long deferred; and as business returns to a normal condition abroad, this branch of the operations of the Federal Reserve Banks will steadily and rapidly expand.

The operations of the banks have been limited in their scope by the fact that there was a great volume of fluid resources, due partly to the release of reserves which occurred simultaneously with the opening of the banks and partly to general conditions which have relieved the reserve institutions of demands that would otherwise have been brought to bear upon them, the most striking feature of which is the great inflow of foreign gold into the United States in consequence of enormous sales to foreign countries. As a result of these conditions, the direct discounts of reserve banks for member banks have at no time been much in excess of \$30,000,000, notwithstanding that practically every type of commercial paper available for discount at Federal Reserve Banks has been defined and described. Believing that until a firm basis for discount operations had been laid and the organization of the Federal Reserve Banks completed it would be wise to defer any general provision for open-market operations, the Board during the early part of the year confined its instructions and regulations to those classes of open-market operations which were deemed most immediately essential. Included in this category were purchases and sales of Government bonds, bankers' acceptances, and municipal warrants. More recently, in a letter of October 8, confirmed by a circular and regulation of December 6, the Board authorized the several institutions to purchase, at rates to be fixed by them within certain limits prescribed by the Federal Reserve Board, all those classes of bills of exchange which are by the Act made eligible for rediscount. It may be noted that, as shown by analysis of a recent combined statement of all Federal Reserve Banks, more than 75 per cent of the aggregate investments held by them have been obtained through open market operations in government bonds, warrants, acceptances, and com-

mercial paper. They have, therefore, open to them a wide field of operation, and there is to-day no reason why they should not employ their resources as largely as prudence and the requirements of good banking dictate.

DISCOUNT POLICY.

The Board has endeavored during the past year to develop a consistent discount policy, graduating its rates according to the maturity and character of paper discounted or purchased in the open market. Beginning at the opening of the system with a comparatively high rate for ordinary commercial paper and with more or less variation between the different districts, the reserve banks have during the year steadily reduced the general level of discount rates and have worked rapidly and effectively toward uniformity for the entire country. It may not be practicable to maintain uniform rates throughout the twelve districts, but they should unquestionably bear a consistent relation one to another, while a very much greater adherence to uniformity than before the enactment of the Federal Reserve Act will undoubtedly be secured. At the close of 1915 the lowest rates made by the Federal Reserve Banks for any class of paper were those on bankers' acceptances, approved by the Board at from 2 to 4 per cent, but running in actual practice only a little above the lower limit thus stated. Trade acceptances at a prevailing rate of about $3\frac{1}{2}$ per cent, very short-term maturities for ordinary commercial paper at 3 to $3\frac{1}{2}$ per cent, and longer term paper up to 90 days at a current rates of 4 and $4\frac{1}{2}$ per cent were the outstanding features of the discount-rate situation. The fact that commodity paper, that is, notes and bills secured by readily marketable staples, has been acquired in large amounts at rates from 3 to $3\frac{1}{2}$ per cent, and that long-term agricultural paper has, subject to the restrictions of the law, been freely taken by the reserve banks wherever offered, shows what the system can do for the agricultural short-time borrower.

More immediately important to the actual borrower than the rates maintained at the reserve banks are those established by the member banks for their customers. It is an undoubted fact that rates for good commercial paper have never approached so uniform a level in the United States as during the last year—a condition due to a variety of circumstances, prominent among which is the operation of the Federal Reserve System. It is as yet premature to speak positively on this subject, inasmuch as lending conditions and interest rates of the year 1915 are not to be regarded as normal. There can, however, be no doubt that during the year the effect of the Federal Reserve System, heightened as it has been by the inflow of gold from foreign countries, has resulted in a marked and marked approach to uniformity of rates. The conditions of the United States.

With our vast export trade giving rise, as it does, to an enormous quantity of foreign bills; with the gradual growth of the practice of drawing documentary bills against domestic shipments; and with the increasing tendency on the part of business men to put their paper into the trade-acceptance form in lieu of the promissory note, the Federal Reserve Banks should have no difficulty in amply supplying themselves in due time with such amounts of paper as they may deem desirable. Up to the present time it is the judgment of the Board that the banks have acted prudently in abstaining from entering the foreign field or from engaging more actively in open-market transactions than they have. Money rates have been unprecedentedly low, and any attempt of the Federal Reserve Banks to attract business by further reduction of their rates might only have produced a further depression of rates and increased the danger of inflation of credit without, at the same time, bringing additional business to the Federal Reserve Banks. Under ordinary conditions the power to engage in open-market operations will be an important factor in the control of discount rates by the Federal Reserve Banks.

The policy of the Board, for reasons already indicated, has been one of conservatism. When prevailing money rates harden, as they may be expected to in time, it will be the policy of the Board to encourage the Federal Reserve Banks, through the active purchase of paper and the increase of investments, to release funds, and thereby to steady rates at what it conceives to be the normal level.

BANKS AS FISCAL AGENTS.

An important step toward the enlargement of the scope of the reserve banks and the complete enforcement of the Federal Reserve Act was taken by the Secretary of the Treasury on November 23, when he designated the reserve banks as fiscal agents. Under his direction there were transferred, on January 1, 1916, to the reserve banks funds already on deposit with the member banks in the Federal reserve cities, an aggregate of about \$9,000,000. Thus has been begun the important fiscal reform of receiving and disbursing the funds of the United States through the Federal Reserve Banks. Prior to the action thus taken in designating all of the reserve banks as fiscal agents the Secretary of the Treasury had already placed with three of the banks public moneys under the provision which authorizes him to employ them as depositaries and had offered to make similar deposits in the Federal Reserve Banks of St. Louis, Kansas City, and Minneapolis. The banks in which deposits were made were the Federal Reserve Banks of Richmond, Atlanta, and Dallas, \$5,000,000 being placed with each. Of this sum, \$14,000,000 was transferred through the instrumentality of the gold fund at Washington, and \$1,000,000 was directly deposited in cash. The reasons

of the Secretary of the Treasury for making these deposits are stated in his annual report to Congress in December, 1915.

COTTON CROP MOVEMENT.

Because of the difficult international conditions, the Federal Reserve Board early in the summer felt that it would be advisable to be prepared for any contingency that might arise in connection with the marketing of the cotton crop. Fears for the situation were widespread in the South, some pessimistic observers predicting a repetition of the disastrous experiences of 1914. The Board, therefore, in June, 1915, appointed a special committee to study the condition and needs of the cotton-growing districts. The committee, realizing the importance of fostering a financial condition in which producers would not be obliged to sacrifice their cotton, but would be assisted in the gradual and orderly marketing of the crop, began its work by investigating warehouse facilities in the cotton belt and by making a careful study of the laws governing warehousing in the Southern States. It also informed itself regarding the extent of crop diversification, which early in the year had been strongly urged by the Department of Agriculture and by bankers' associations in the South. It ascertained that the cotton acreage had been greatly reduced and that food crops had been planted to a greater extent than in previous years, and it was not long in reaching the conclusion that the yield of cotton would be much less than was the case in 1914. Finding the storage facilities for such portion of the crop as might have to be carried over generally adequate, it recommended the creation of a special kind of accommodation to assist those producers who, having made their crop, might desire temporarily to withhold a portion of it from the market. The committee entertained the view that warehouse receipts for cotton, grain, and other staple, nonperishable agricultural products of a readily marketable character, form an excellent basis for bank loans, particularly as under the terms of the Federal Reserve Act and the regulations of the Board, notes thus secured are eligible for rediscount by Federal Reserve Banks.

During the summer, the committee developed a method by which producers could secure low rates upon loans secured in this manner, and in order to encourage cooperation between member banks and producers, the Board issued on September 3, 1915, its commodity paper regulation which provided that notes secured by nonperishable staple commodities, having a specified date of maturity, and upon which member banks had not charged a rate of interest or discount, including all commissions, of more than 6 per cent per annum, should be eligible for rediscount in Federal Reserve Banks at a preference. It should be especially noted that this commodity rate, so

not confined to any section of the country or to loans secured by any one commodity, but was general in its nature. It applied not to cotton alone, but to other staple products, such as grain, sugar, and wool. It was, in fact, adopted by several of the reserve banks, some of them, however, receiving but little business under it owing to the abundance of funds in member banks.

The Board, moreover, in the exercise of the powers conferred upon it by the Federal Reserve Act, was fully prepared to set in operation, if it should become necessary, at rates to be fixed by it, the machinery of interbank rediscounting, in order to make available for Federal Reserve Banks requiring larger resources the available funds of other reserve banks, the collective strength of the reserve system as a whole being far in excess of any demands that might reasonably be expected to be brought to bear upon it at that time.

The Board's commodity paper regulation was issued September 3, 1915, well before the time when the movement of the cotton crop could be expected to give rise to drafts upon the southern banks, and it was some time, therefore, before any considerable number of applications for loans at the commodity rate was made. During the month of November the southern reserve banks converted many of their loans into the commodity form. Such loans aggregated \$10,300,000 to the end of the year, \$7,500,000 being the volume outstanding on December 30, 1915.

The effect of the commodity paper regulation was mainly anticipatory and protective. The certain assurance that whatever funds might be necessary for the gradual and orderly marketing of the cotton crop would be available at moderate rates had an immediate and stimulating effect on sentiment. Other factors which contributed to the same result were the evidences of an early and active buying movement and the realization that the cotton yield would be much less than that of 1914. Within 60 days, prices advanced from 8 cents to 12 cents per pound. There was a steady movement of the staple to primary markets, the price of cotton seed advanced to a figure that added from \$20 to \$25 a bale to the farmer's income, and comparatively little cotton had to be carried by banks for producers.

CURRENCY MOVEMENT.

The fact that there has been no demand for inter-bank rediscounts, and that the autumn season has passed without the usual stringency due to the necessities of crop moving, point conclusively to the benefits derived from the Federal Reserve System. It is quite true, as has often been observed, that the great release of reserves under the Federal Reserve Act produced an unusual ease of money the country over. This general ease, however, would not of itself have solved the difficulty of crop moving, or have met the regu-

larly recurring currency requirements of the various agricultural sections of the country. These requirements have been met during the present year without the great movement of currency that has been necessary in former years, and at a very greatly reduced cost to the community. This favorable result is largely due to the operation of the national clearance system conducted by the Board by means of the gold settlement fund at Washington. This fund now aggregates about \$80,000,000 and since the beginning of June, when it was inaugurated, about a billion dollars have been cleared at a negligible expense of a thousand dollars. The benefits derived in this connection are a conclusive demonstration of the merits of the reserve system in disposing of one of the Nation's most troublesome and most discussed financial problems of former years.

FOREIGN BORROWING.

In the course of the year's operations the Board has received many inquiries with reference to its attitude toward foreign borrowing in the United States, and its policy with reference to the obligations of foreign governments. The subject has received careful attention, and the Board has reached the conclusion that its province should be primarily that of overseeing the regular business operations of the Federal Reserve Banks without endeavoring to direct them. It has further reached the conclusion, supported by competent legal advice, that the purpose for which goods are sold or exported, or the use to which such goods are ultimately put, does not fall within its province or jurisdiction. If the transactions which have given rise to such sales or shipments are of a true commercial nature, if the basis upon which they rest is such as to comply with the requirements of the Federal Reserve Act, and if the maturity of the loan falls within the limitation of the law, then the paper growing out of them, no matter by whom or for what drawn, may at will be discounted by Federal Reserve Banks, and must be regarded as falling within the legitimate sphere of their operations. The Federal Reserve Act makes no provision for collateral bond or stock loans, or for the purchase by reserve institutions of foreign governments' obligations. Neither such obligations, therefore, nor loans to member banks based thereon are eligible as investments for Federal Reserve Banks. The operation of the reserve system is a matter of business to be conducted in accordance with the terms of the Reserve Act and the regulations of the Board. It is not the province of the Board to deal with problems involving international relationships of the United States, either for the purpose of restricting or extending exportations.

The eligibility of paper for reserve banks is determined by considerations which are as valid under one set of international relation-

ships as another; the function of passing upon and dealing in such paper under these regulations belongs to the several reserve banks. The Board, however, believes that the financing of the country's export trade is at the present time one of the most important financial problems with which the nation has to deal; and it is of the opinion that Federal Reserve Banks can not, even if they would, avoid their legitimate and proper share of responsibility of assisting in this process of financing.

STANDARDIZATION OF COMMERCIAL PAPER.

The belief of the Board that the Federal Reserve Banks are now in position to render efficient service in the event of stringency is in no small part based upon the response of member banks to the efforts of the Board in standardizing and unifying types of commercial paper and borrowing practices. It was a current remark when the Federal Reserve Act was under consideration that member banks would find but little of the kinds and maturities of paper made eligible for rediscount. Experience has shown the exaggerated character of this view, but it has also shown the desirability, not to say necessity, of securing a thorough standardization of paper in order that those items which might perhaps be open to technical objections should be plainly and obviously brought within the requirements of the law, and in order that member banks may obtain experience and facility in carrying through rediscount operations. In this regard much progress has been made; and many banks which believed at the opening of the year that no considerable part of their paper would be available for rediscount, now recognize that a substantial proportion of it either is already eligible or may easily be made to comply with the provisions of the law. With the aid and cooperation of Federal Reserve Agents, country bankers have been made acquainted not only with the terms of the Act, but with the Board's regulations, and it is believed that in the event of necessity, the flow of paper to Federal Reserve Banks for discount with a view to obtaining additional accommodations will be prompt and will continue steady.

During the past year the Board has held many conferences for the purpose of developing a better understanding of the duties of the Federal Reserve System and the meaning of the Federal Reserve Act, as well as for the purpose of obtaining advice and suggestions regarding problems that were before it for solution and for developing uniformity of operations upon the highest basis of efficiency.

The regulations of the Board have been prepared with a view to the necessities of practically every part of the country, including both agricultural and city constituencies, and there is now no reason why prompt and ready relief should not be rendered at any time of difficulty, or why regular relations should not be maintained

with member banks desiring accommodation in the furtherance of their business. It will be possible from this time forward greatly to simplify circulars and regulations with such few changes in substance as may be needed. At the present moment active business relations are maintained by Federal Reserve Banks with a substantial number of member banks and this number is steadily on the increase. The reserve banks are, in short, living and active members of the banking community, and not only have done a creditable amount of business thus far, incidentally relieving many strained and difficult situations, but have prepared the way for a very much larger scope of activity in the event of necessity. Meantime they have had a most important influence in securing reasonable rates for rediscounts to member banks from their correspondents. They have performed both an educational and a commercial function. In the further and progressive development of their reserve functions under the Federal Reserve Act they have, in accordance with the terms of the Act, received from member banks, under date of November 16, an additional installment of reserves, amounting from country banks to one-twelfth, and from reserve city banks to one-fifteenth of their total required reserves. Some member banks, recognizing the wisdom of maintaining the reserve institutions in as efficient a condition as possible, have already adopted the practice of keeping with their reserve bank excess balances over and above their minimum required reserves. For all these reasons the reserve banks find themselves in much stronger position than they were a year ago, the aggregate of their gold and lawful money being \$345,260,000 on December 31, as against \$229,069,000 on the same date a year earlier. It is hoped that as the system further develops member banks may, both as a matter of convenience to themselves and in order to strengthen their Federal Reserve Banks, adopt the plan of keeping with their reserve banks larger excess balances.

UNIFICATION OF BANKING.

In this process of developing the reserve power, of cultivating good relations with member banks, of educating their members to a recognition of the true theory upon which the reserve system is founded, and of otherwise carrying on the larger purposes aimed at by the Federal Reserve Act, the Board has been mindful of the delicate and important duty of unifying, so far as possible, the banking system of the country—a duty plainly imposed upon it by the provisions of the statute. This duty has presented itself in two ways—in the broadening of the power of national banks in such a way as to afford them such advantages as were deemed consistent with safety, and in the admission of State institutions to membership in the

reserve system. It was no doubt the view of the framers of the Federal Reserve Act that, because of the admission of State institutions to the full advantages of the law, national banks should be in some measure compensated by the granting of certain auxiliary privileges—the reduction of reserves against savings accounts, the extension of the power to act as trustee, executor, administrator, etc., and in other ways. The Board, however, deemed it essential that such grants of fiduciary authority should be made only to those institutions whose past record and present condition are such as to furnish evidence of their worthiness to be thus recognized. It has instituted careful examination into the condition of each institution making application for such powers, after a method fully described in this report, and has not scrupled to reject the applications of many banks which, although in a sound and solvent condition, were not considered to fulfil the several requirements of worthiness from a fiduciary standpoint.

It is with regret that the Board reports that its action in thus granting the powers authorized by the Federal Reserve Act to national banks has been the subject of much criticism and opposition on the part of a number of trust companies even in those States in which trust companies are engaged in the business of commercial banking in direct competition with national banks. Suits have been instituted in two or more States to test the constitutionality of section 11 (k) and to prevent by injunction or otherwise the exercise of the powers of trustee, executor, administrator, and registrar of stocks and bonds by national banks, either on the ground that the Act is unconstitutional or that the exercise of these powers is in contravention of the laws of the State in which such national banks are located. Advices have been received that similar suits will be brought in other States. The Board has authorized its counsel to intervene in these cases; to file briefs in support of the constitutionality of the Act; and to appear and argue the questions involved when this course is deemed necessary or advisable. Every effort will be made to obtain an early adjudication of this important question by the Supreme Court of the United States.

A somewhat similar, although less marked, situation has developed with respect to savings accounts. Under regulations carefully developed by the Board, it has been sought to limit the number of accounts against which reduction of reserves to 5 per cent has been permitted to those which are beyond question what they profess to be, the reduction, therefore, involving no element of danger to the liquid condition of the banks. Despite this care, some State officials have considered it their duty to attempt to restrict the development of the savings deposit function of national banks, and in California this attitude has been carried so far that the Board has recommended

to the local Federal Reserve Bank the institution of injunction proceedings, designed to protect the rights of the member banks. A similar condition of affairs exists with respect to the other branch of the process of unification—that relating to the admission of State banks and trust companies to membership. The Board has nevertheless deemed it wise to offer to all eligible State institutions the utmost freedom in associating themselves with the system, in order that there might, if possible, be developed a uniform banking system embodying as large a proportion as possible of the eligible commercial banks of the country under a single general oversight for the same general purposes—the prevention of stringency or financial difficulty and the strengthening and enlargement of the financial resources of the country. After full investigation, the Board, therefore, decided that State banks should be given, subject to suitable restrictions, the privilege of withdrawal from the system at their own option, and has in other ways endeavored to facilitate the process of affiliation. While the attitude of State banks and trust companies has been such that but 32 have been admitted to membership, 84 others have become members by conversion or by reorganization as national banks during 1915. This number, moreover, includes some of the best institutions in the country.

It is an unfortunate fact that in some of the States reserve requirements for State banks and trust companies have been materially lowered by legislative enactment since the adoption of the Federal Reserve Act. The only justification for the reduction of the reserve requirements for national banks is the fact that the national banks are members of the Federal Reserve System and that the Federal Reserve Banks hold a part of the consolidated reserves of the national banks, and are, therefore, in position to come immediately with all of their resources to the support of the national banks in case of necessity or emergency. In other words, the entire strength of the Federal Reserve System is substituted for the reduced reserve requirement of the national banks. On the other hand, where the State banks and trust companies have reduced their reserves to the same level as the national banks without becoming members of the Federal Reserve System, such State banks and trust companies have not available to them the strength and resources of the Federal Reserve Banks as a substitute for their lowered reserves. This is an element of danger in our banking system, because the weakening of the reserves of the State banks and trust companies makes them more vulnerable in times of emergency, and it is conceivable that a serious situation might arise in the affairs of such State banks and trust companies where they might have to call upon the resources of the Federal Reserve Banks when they would not be entitled to it because they are not members.

tributed to the strength of the Federal Reserve System by taking membership in it. The Board is giving serious thought to this question, and to the action that may be taken to guard against the consequences of this situation. In the meantime the Board is firmly of the opinion that the States themselves should, instead of permitting a reduction in the reserves of State banks and trust companies, require them to maintain reserves higher than the reserves of national banks so long as such State banks and trust companies do not become members of the Federal Reserve System. It is scarcely necessary to say that the credit resources of the country would be greatly enlarged and strengthened, with corresponding benefit to business and to all the people of the country, were the State banks and trust companies to be joined together with the national banks in the homogeneous and well-organized banking system provided by the Federal Reserve Act.

It would be deplorable were feelings of State or local pride to lead any of the States into "competition" with the Federal Reserve System such as would prompt them to lower their own banking standards or reserve requirements with a view of enabling or inducing State banks to refrain from taking membership therein. The Board is satisfied that State banks gain in safety and that the States sacrifice none of their prerogatives or powers when such banks become members of the Federal Reserve System, and therefore expresses the hope that no seeming divergence of interest will be permitted to impede the establishment of higher standards of banking.

CLEARINGS AND COLLECTIONS.

Section 16 of the Federal Reserve Act made general provision for the establishment of a system of clearance of checks throughout the United States, each Federal Reserve Bank being required to act as a clearing house for its members if directed by the Federal Reserve Board, while the Federal Reserve Board was authorized to clear for the reserve banks themselves.

The Board had from the first recognized its duty to make this provision of the law effective as fully and at as early a date as conditions would permit; and in its first report spoke of this as "one of the most important responsibilities with which it is charged under the Act." So, regarding its duty in this particular, it undertook early in 1915 the preparation of a general circular and regulations intended to provide for the clearing of checks within the several Federal reserve districts, while it also took under advisement the establishment of a gold settlement fund at Washington for the purpose of clearing obligations between Federal Reserve Banks. The latter undertaking has been carried to a successful conclusion and the gold settlement fund has been in full and satisfactory operation since about the first of June. The Board, however, had not advanced

far with its work relating to the intradistrict branch of the clearance system before technical and other difficulties began to make their appearance. Many banks, both city and country, throughout the system were opposed to the enforcement of the provisions of the law because of the loss of exchange charges which would thereby be entailed upon them. Legal questions were also raised, it being argued that there is no power to compel a member bank not located in a Federal Reserve city to pay or have charged to its account at the Federal Reserve Bank of its district a check which it had not seen and approved prior to the time of presentation at its own counter. For the purpose of ascertaining the Board's powers in this connection the opinion of the Attorney General has been requested.

While the Board was not inclined to attach undue importance to objections based upon self-interest, it felt that it must take cognizance of all legal objections, and it recognized that the clearing question was essentially a reserve problem rather than a technical question or a mere matter of administration. Inasmuch as the Federal Reserve Act had granted a period of three years within which to effect the final transfer of reserves to Federal Reserve Banks (balances with correspondents counting as reserves in the meantime), there was a certain ground for objection to the immediate introduction of complete clearance at Federal Reserve Banks. As is well known, reserve balances in some reserve cities have heretofore been used for the purpose of providing for exchange and collection operations, and so long as this function on the part of city correspondents continued there was some argument in favor of deferring any compulsory application of par clearance at the reserve banks. Study of the problem, moreover, shows that, pending the time when State banks enter the system in larger numbers, it may be necessary for some member banks to collect and clear through their correspondents in reserve cities.

So complex was the situation and so serious the difficulty involved in the compulsory application of any system, however carefully conceived, that the Board felt it would be well if member banks could be brought to recognize of their own free will the advantages of a general and nation-wide clearing system—advantages which would inure not only to the benefit of the public at large, but ultimately to the direct benefit of the member banks themselves from the purely business standpoint. It therefore took under favorable consideration the question of a voluntary clearing system. Both the difficulties of a compulsory plan and the probable merits of a voluntary system had been strongly represented to the Board by the governors of the respective Federal Reserve Banks who at various meetings had thoroughly canvassed the whole situation. Under a plan, proposed by

the governors, which in most districts became effective during June, 1915, provision was made for the acceptance at par by the Federal Reserve Bank of each district of checks drawn upon any member bank of that district which had previously assented to the provisions of the scheme. It was hoped that a very large number of member banks would promptly affiliate themselves with the new system of clearing and that the natural force of economic competition would ultimately attract to it those who at first might hesitate.

This system, as already stated, became operative in most districts during June, 1915. Prior to this whole discussion, however, two districts had already undertaken the application of the clearing provision of the law. Early in December, 1914, district No. 10 and district No. 8 (Kansas City and St. Louis) had sought and obtained permission to apply to their members a complete system of required clearing. This system had been in full operation in both districts prior to the general application of the voluntary system. Upon the inauguration of the latter the directors of the Federal Reserve Bank of St. Louis deemed it wise to offer to their member banks the option of withdrawing from the clearance system if they so desired; but so successful had been the working of the plan that comparatively few retired, about 80 per cent of all continuing their membership. The Federal Reserve Bank of Kansas City continued its required system as before for the benefit of all its member banks, numbering 950. As about 365 banks continued their membership in the St. Louis district, a total of approximately 1,300 was included in the clearing system of the two districts in question. Outside of these two districts about 1,100 member banks voluntarily affiliated themselves with the clearing system within a short time after its inauguration, and there was a subsequent net inward movement of about 50 additional members, making approximately 1,150 banks which of their own free will have assented to the voluntary clearing plan. This is considerably less than 25 per cent of the institutions eligible for membership, and the proportion has been so small as to prove a severe disappointment to those who had confidently expected that the foresight and enlightened self-interest of the member banks would speedily accomplish the desired result. Some progress has been made through the action of the banks, both member and nonmember, in improving exchange conditions and in providing for the clearance of country checks at points where this practice has never before prevailed; but in the main comparatively small advance has thus far been made in rendering effective the provisions of the law requiring the standardization of exchange and clearance practices. This slowness is largely due to the failure of jobbers and merchants to appreciate the advantages of the clearance system and to enlarge its membership by insisting that their own banks join and cooperate in the plan. ~~The~~

subject has recently been reopened at the conferences between the governors of the Federal Reserve Banks, the Federal Reserve Agents, the transit managers of the reserve banks, and the Board itself, with a view to extending the present system not only in the several districts themselves but as between the various districts. For many years it has been lawful for banks to count as reserves deposits with other banks. It was never the intention of the Federal Reserve Act that member banks should continue the maintenance of these reserve accounts. On the contrary, the full meaning of the Act is manifestly opposed to such an idea. It is the plain conception of the Act that the reserve banks should, to a very large extent, if not entirely, perform the work that is now being done by correspondent banks in this respect. This means that the reserve balances to be carried in the future by the reserve banks instead of by the correspondent banks should serve as the basis for a system of clearing and collecting the exchanges of the country. Whatever can be done to bring about the prompt and effective use of this new system of bank settlement will be done.

ISSUE OF NOTES.

During the year 1915 the circulation of Federal Reserve notes has increased to \$188,817,000 as of December 31, 1915. Believing that the country should be prepared against any contingency, the Board had authorized the printing of about \$700,000,000 of these notes. Almost one-quarter of the total supply printed has been placed in circulation. On December 31, 1915, however, only \$16,675,000 of notes secured by commercial paper pledged with the Federal Reserve Agents was outstanding as an obligation of the Federal Reserve Banks. The liability of the Federal Reserve Banks as to the remainder has been discharged by the deposit with the Federal Reserve Agents of a like amount of gold and lawful money. This result has been achieved by the Federal Reserve Banks in responding to requirements for currency by issuing Federal Reserve notes rather than by parting with gold. While the gold pledged with the Federal Reserve Agents represents a very valuable protection in case of a substantial demand for gold, it must be observed that the process is expensive without, at the same time, giving to the Federal Reserve Banks that additional strength and lending power which they would secure in case the law were amended so that the Federal Reserve Banks would remain liable for the outstanding notes, but, on the other hand, would retain property title to the gold delivered to the Federal Reserve Agents, which, in that case, would not be paid in to extinguish the liability upon the notes but would be deposited as collateral security against them.

Further action is made to this subject under the head of amend-
ment.

BRANCHES AND AGENCIES.

The question of branches of Federal Reserve Banks has received careful attention during the past year. There has been intimation from several quarters that the establishment of a branch at a given point would be acceptable to the banks of that place. Only in one instance—that of New Orleans—did the Board receive a definite request from a Federal Reserve Bank to establish a branch. Believing that New Orleans and the adjacent territory could make advantageous use of this additional banking machinery, the Board authorized the establishment of a branch of the Federal Reserve Bank of Atlanta to be located in New Orleans, and this branch was opened for business on September 10. Operations at the New Orleans branch have proceeded satisfactorily, and the institution has been of considerable use to the local banks. The branch is already more than self-supporting.

Investigation and experience have seemed to show that, at least for some years to come, the organization of branches with completely equipped offices, vaults, and the like, and with a full staff of salaried officials, will be too heavy an expense for most of the reserve banks, yet, that valuable service could be performed by local offices of the several banks in not a few places. The Board has, therefore, had under consideration the question whether establishing local agencies might not meet the requirements of the case better than the more fully organized branch office. Competent legal opinion is to the effect that the creation of such local offices is permissible under the terms of the law, and the Board believes that it may prove practicable to meet banking necessities in many sections of the country by this means.

CHANGES IN DISTRICTS.

Practically as soon as it was organized the Board received applications from various cities and districts asking for changes in the adjustments that had been made by the Organization Committee, under the Board's general power to review the findings of that body. As set forth in its first report, it appointed dates for the hearing of each case, and on May 4 it announced decisions readjusting the boundaries between the second and third, the boundaries between the fourth and fifth, and the boundaries between the tenth and eleventh districts. The details of this action are stated in Exhibit M. The appeals presented by the cities of Pittsburgh and Baltimore, which regarded their claims to designation as the site of a reserve bank as superior to the cities of Cleveland and Richmond, respectively, were not finally disposed of, the Board feeling that further experience would be necessary in order to reach an intelligent con-

clusion regarding this whole matter. Later requests were received from certain banks in Louisiana for transfer from the Dallas to the New Orleans district, by certain banks in Connecticut for transfer from the Boston to the New York district, and by certain other banks in southern Wisconsin for transfer from the Minneapolis to the Chicago district. Believing that the subject ought not to be delayed indefinitely, full consideration was given to it during the months of October and November by a special committee of the Board, and the question was considered whether a reduction in the number of reserve banks was not desirable and whether, if desirable, it might not be made in such a manner as incidentally to settle the various pending appeals. Further consideration of this subject was suspended, in view of an opinion rendered by the Attorney General of the United States on November 22, wherein it was held that the Board possessed no power to reduce the number of Federal Reserve Districts. The question what action to take on appeals still pending must, therefore, be considered in the light of this opinion, which has materially changed some of the aspects of the case. A further opinion has been asked as to whether the Board has power to change the location of a Federal Reserve Bank within a district.

OPERATION AND EXPENSES.

Meantime the experience already secured in the operation of Federal Reserve Banks has thrown much light both upon the conditions of their operation, the problems they will have to meet, and the cost to which they will be subjected in doing business. Due to the conditions prevailing during the past year, as already set forth, the reserve banks as a unit have done little more than to provide for their current expenses. The complete tabular statement of income and outgo, furnished on pages 87-95, shows that the current expenses for 1915 have been covered and in addition a sum of \$639,881 realized. The condition of the banks as income producers is not, however, uniform, nor should their usefulness be gauged by their earning capacity. As will be seen from the statement in question, in the case of the Richmond bank the excess of earnings over current expenses for the past calendar year was \$233,331, or over 8 per cent of the average paid-in capital, while in the case of nine other banks these excesses varied from less than \$4,000, or a fraction of 1 per cent, to \$137,336, or over 6.5 per cent of the paid-in capital. Two banks are shown to have declared dividends. There are still two institutions which during the past year have not fully covered their current expenses, although such deficiency is of relatively small amount. The Board, in submitting this tabular statement of earnings and expenses, feels warranted in expressing the conviction that the system, as a whole, has been economically and efficiently operated. In

order that the fullest information may be afforded concerning the conditions obtaining in each of the banks, there is submitted the complete salary roll of each institution, as well as an estimate, in round numbers, of the expense and dividend requirements of the several institutions. An inspection of the detailed salary rolls in comparison with the salaries for bank officers and employees in the several reserve cities will show that Federal Reserve Banks have been operated upon what is practically an ordinary commercial basis in so far as relates to expenses, the only criticism that might reasonably be made being apparently that certain of the institutions were slightly "overstaffed" at the beginning; that is to say, had in their employ a rather disproportionate number of officers of the higher class and salary rating. This difficulty of organization could not be avoided, in view of the uncertainty regarding the volume of business to be developed by the several banks and the possibility that at any time conditions might be such as to require a large and rapid expansion of the operations of the several institutions. The Board, therefore, believes that the institutions have been fulfilling their duty efficiently and satisfactorily in the face of a difficult international financial situation; and looks confidently forward to a material enlargement of operations in the near future, in the natural course of events.

"Regulation in ordinary times as well as protection in extraordinary times" was the principle laid down by the Board in its first annual report for defining the general scope of activities of the Federal Reserve Banks. The conditions of the last year, however, have happily not been such as to call for the exercise of the emergency function of the reserve banks nor have they been such as to call for much regulative action on the part of the banks. Speaking by and large of the situation in the midst of which the reserve banks have found themselves during the first year of their existence, it has been one of such ease and quiescence as not to call for much activity on the part of the reserve banks except in a few districts, but the experience gained has confirmed the Board in the conclusion expressed a year ago that "normally a considerable proportion of their resources should always be kept invested in order that the release or withdrawal from active employment of their banking funds may exercise a beneficial influence," and that "to influence the market a reserve bank must always be in the market." The events of the year also seem to make clear that in all except unusual years it may be expected that the proportion of their resources which the reserve banks will have to keep loaned or invested in order to exercise a proper regulative effect upon the market or will be able to invest through operations in the open market as such a market develops, will produce earnings sufficient for dividend purposes as well.

OPERATIONS OF THE BOARD.

The Board's own internal organization has not been materially changed since its first report. Various divisions whose organization was then outlined have continued in operation. Two (those of correspondence and mail and files) have been consolidated with the secretary's office. Only very slight changes in the personnel or size of the staff have been effected. At present the actual cost of conducting the work of the Federal Reserve Board, including members' salaries and the total payments to the staff in Washington, as well as the examining corps, is about \$18,000 per month. So far as can be judged, this sum is not likely to vary much in the near future, except in so far as it may be increased by the added cost of examining State banks which may join the system, should such action be necessary, or by the growth of the statistical department.

The Board has foreborne to enter into a multitude of details concerning its work which might prove of interest and importance. Full information with regard to the year's operations has been afforded in the Federal Reserve Bulletin, which is now published monthly and in which is given a complete account of the operations of the Board as they are developed. Full statistical data and complete detailed reports for each of the Federal reserve districts are presented in exhibits hereto attached, and a complete file of the Bulletin is herewith transmitted.

PROPOSED AMENDMENTS.

A year's experience in the operation of the Federal Reserve Act has confirmed the Board in its profound conviction that the Act has been one of the most beneficial pieces of legislation ever adopted by Congress. Not only have its fundamental principles been fully vindicated but in most details the working of the measure has been successful. The Act, however, is a progressive piece of legislation and creates new conditions as the result of its own operation. Modification in its terms growing in part out of these new conditions will subsequently be required from time to time.

For the present the Board presents the following suggestions for amendments to the Act:

(1) In addition to powers now possessed in this connection by Federal Reserve Banks and national banks, the latter should be permitted to subscribe for and hold stock in banks organized for the special purpose of doing a banking business in foreign countries.

(2) With the approval of the Federal Reserve Board the issue of Federal Reserve notes to Federal Reserve Banks should be permitted either against the deposit of an equal amount, face value, of

notes, drafts, bills of exchange, and bankers' acceptances acquired by Federal Reserve Banks under sections 13 and 14 of the Act, or of gold, or of both, provided, however, that gold so deposited with a Federal Reserve Agent shall count as part of the reserve required by the Act to be maintained by the bank against such notes outstanding.

(3) The acceptance system, provision for which is made in foreign trade operations by the Federal Reserve Act, should be extended to the domestic trade in so far as relates to documentary acceptances secured by shipping documents or warehouse receipts, covering readily marketable commodities or against the pledge of goods actually sold.

There can be but little question of the safety of such acceptances, and their use will tend to equalize interest rates the country over and help to broaden the discount market.

(4) Permission should be granted to national banks to establish branch offices within the city, or within the county, in which they are located.

(5) In order to enable member banks to obtain prompt and economical accommodations for periods not to exceed fifteen days, the Federal Reserve Banks should be permitted to make advances to member banks against their promissory notes secured by such notes, drafts, bills of exchange, and bankers' acceptances as the law at present permits to be rediscounted or purchased; or against the deposit or pledge of United States Government bonds, the purchase of which is now permitted under the law.

(6) The Board furthermore recommends that the power of national banks to make loans on farm lands as provided in section 24 be extended so as to permit any national bank not situated in a central reserve city to make loans secured by improved and unencumbered farm land situated within its Federal Reserve district, or within a radius of 100 miles from the place in which such bank is located, irrespective of district lines. It also recommends that the powers of national banks be further extended to permit any such bank to make loans on any improved and unencumbered real estate located within 100 miles of the place in which such bank is located, irrespective of district lines; provided, however, that the aggregate of farm land loans and other real estate loans made by any national bank shall not exceed 25 per centum of its capital and surplus or one-third of its time deposits; and provided further, that no such real estate loan, as distinguished from a farm land loan, shall exceed a period of one year nor exceed 50 per centum of the actual value of the property offered as security.

It is believed that the enactment of these amendments will, besides enlarging the usefulness of the national banks, result in greatly strengthening the operation of the Federal Reserve Act, and more completely realize the purposes of its framers. The text of the

amendments designed to carry out these recommendations will be submitted by the Board at an early date. The Board has under consideration other suggestions for amendments to the Federal Reserve Act concerning which no conclusions have yet been reached, and regarding which the Board will take occasion to submit its views to the Congress at an appropriate time in the future.

W. G. McADOO,

Secretary of the Treasury,

Chairman.

JOHN SKELTON WILLIAMS,

Comptroller of the Currency.

C. S. HAMLIN, *Governor.*

F. A. DELANO, *Vice Governor.*

P. M. WARBURG.

W. P. G. HARDING.

A. C. MILLER.

Members, Federal Reserve Board.



EXHIBITS.

Exhibit A.—DISCOUNT RATES.

Changes in discount rates during calendar year 1915.

PAPER MATURING WITHIN 10 DAYS.

	June.	July.	Sept.	Dec.		In force Jan. 1, 1916.
	25	3	10	2	11	
Boston.....		3				3
New York.....	3					3
Philadelphia.....	3					3
Cleveland.....			3½			3½
Richmond.....						
Atlanta.....						
Chicago.....					3½	3½
St. Louis.....	3					3
Minneapolis.....						
Kansas City.....				3½		3½
Dallas.....						
San Francisco.....	3					3

PAPER MATURING WITHIN 30 DAYS.

	Jan.												Feb.				Mar.	Apr.	May.	June.	In force Jan. 1, 1916.
	1	3	7	8	9	13	14	21	22	23	27	28	3	4	6	19	18	30	8	25	
Boston.....	4½												4								4
New York.....	4½												4								4
Philadelphia.....	4½												4								4
Cleveland.....	5						4½								4						4
Richmond.....	5			4½																4	4
Atlanta.....	5		4½					4								4½	4				4
Chicago.....	4½									4											4
St. Louis.....	5		4½											4							4
Minneapolis.....	5					4½										4					4
Kansas City.....	5			4½								4									4
Dallas.....	5					4½						4									4
San Francisco.....	4½			4					4										3½		3½

—continued—

FASTER LAYERS: FROM 8 TO 12 WEEKS & DAYS.

[illegible]

PAPER MATURING AFTER 90 DAYS WITHIN 90 DAYS

[illegible]

AGRICULTURAL AND LIVE STOCK PAPER MATURING AFTER 90 DAYS.

[illegible]

Changes in discount rates during calendar year 1915—Continued.

TRADE ACCEPTANCES MATURING WITHIN 90 DAYS.

	July.	Aug.		Sept.					Oct.		Dec.	In force Jan. 1, 1916.
	22	5	13	14	15	20	23	24	7	15	16	
Boston						3½						3½
New York	3½											3½
Philadelphia							3					3
Cleveland									1 3½ 2 4			1 3½ 2 4
Richmond					1 3½ 2 4							1 3½ 2 4
Atlanta								1 3½		3½		3½
New Orleans brch.										(¹)		3½-4
Chicago												
St. Louis				2 3½								2 3½
Minneapolis												
Kansas City			3½									3½
Dallas		1 3½ 2 4										1 3½ 2 4
San Francisco		1 3 2 3½										1 3 2 3½

¹ Rate for trade acceptances maturing within 60 days.² Rate for trade acceptances after 60 but within 90 days.³ A rate of 2 to 4 per cent for bills with or without member bank's indorsement made effective December 27, 1915.⁴ A rate of 3½ to 4 per cent for trade acceptances, bought in the open market without member banks' indorsement was made effective in the New Orleans district on December 16.

COMMODITY PAPER MATURING WITHIN SIX MONTHS.

	Sept.							Oct.	In force Jan. 1, 1916.
	4	8	14	15	23	24	27	4	
Boston						1 3½			1 3½
New York						1 3			1 3
Philadelphia									
Cleveland									
Richmond					1 3				1 3
Atlanta		3							3
Chicago									
St. Louis			3						3
Minneapolis							3		3
Kansas City								3	3
Dallas			3						3
San Francisco							(¹)		(²)

¹ Rate for commodity paper maturing within 90 days.² 3½ per cent for commodity paper maturing within 30 days; 4 per cent for commodity paper maturing after 30 but within 60 days; 4½ per cent for commodity paper maturing after 60 but within 90 days; 5 per cent for commodity paper maturing after 90 days.

NOTE.—Rate for bankers' acceptances, 2-4 per cent. On March 10 the Federal Reserve Board fixed the following rates for rediscounts between Federal Reserve Banks: 3½ per cent for paper maturing within 30 days; 4 per cent for paper maturing after 30 but within 90 days.

Exhibit B.—FEDERAL RESERVE NOTES.

Federal Reserve notes received from the Comptroller of the Currency, issued to each Federal Reserve Bank and in actual circulation, gold and lawful money, also paper held by each Federal Reserve Agent, and amounts of Federal Reserve notes held and amounts carried to net assets and liabilities by each Federal Reserve Bank on the last Friday in each month from Nov., 1914, to Dec. 30, 1915.

[In thousands of dollars.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Federal Reserve notes received from the Comptroller of the Currency less returned for destruction:													
Nov. 27, 1914.....	2,000	5,000	3,000	2,000	2,400	2,000	3,750	3,400	2,000	620	2,000	380	28,580
Dec. 31, 1914.....	2,000	10,000	3,000	2,400	2,960	2,000	3,750	3,400	2,000	2,000	2,000	2,000	37,540
Jan. 29, 1915.....	2,000	12,200	3,000	2,400	3,560	2,000	4,380	3,400	2,000	2,000	2,000	2,000	40,940
Feb. 26, 1915.....	2,000	16,200	3,000	3,000	3,960	5,800	4,380	3,400	2,000	2,000	3,000	2,000	50,740
Mar. 26, 1915.....	5,000	25,200	2,960	3,800	5,240	7,000	4,380	3,400	3,000	2,000	3,000	2,000	67,000
Apr. 30, 1915.....	5,000	29,960	2,940	5,000	6,720	7,500	4,380	3,400	3,000	2,000	4,200	2,000	76,100
May 28, 1915.....	10,000	36,920	2,920	5,000	7,750	8,500	9,380	3,400	4,000	4,000	6,700	3,600	102,200
June 25, 1915.....	11,000	42,080	5,360	6,000	8,420	8,500	9,260	3,400	4,000	6,000	7,685	3,600	115,315
July 30, 1915.....	11,700	49,840	5,310	6,400	9,160	8,500	9,260	3,400	5,000	6,900	11,995	10,000	137,265
Aug. 27, 1915.....	11,700	58,800	8,270	7,000	10,000	9,100	9,260	3,400	6,000	8,000	13,895	10,000	155,425
Sept. 24, 1915.....	11,600	63,760	9,010	8,000	11,800	12,100	9,260	3,400	9,000	8,000	15,825	10,000	171,255
Oct. 29, 1915.....	11,500	76,480	12,100	10,000	15,100	16,600	9,260	6,600	15,000	9,000	19,565	10,000	211,205
Nov. 26, 1915.....	15,900	98,440	11,940	11,560	16,100	18,900	9,260	9,600	17,000	11,000	19,555	9,770	248,085
Dec. 30, 1915.....	15,860	106,240	11,940	12,520	17,000	20,400	9,260	9,600	19,000	11,000	19,519	9,770	262,009
Federal Reserve notes issued to Federal Reserve Banks (net amount):													
Nov. 27, 1914.....	110	1,000	420	.....	100	20	1,700	.....	175	330	.....	.....	3,855
Dec. 31, 1914.....	110	10,000	740	204	700	500	2,400	700	260	335	500	660	17,199
Jan. 29, 1915.....	110	10,600	740	204	1,000	1,000	2,400	626	410	345	500	860	18,795
Feb. 26, 1915.....	110	11,800	740	354	2,700	2,000	4,380	626	860	1,360	1,200	860	27,590
Mar. 26, 1915.....	1,320	19,040	720	1,200	4,000	4,100	4,380	626	1,660	1,360	1,500	1,260	41,186

ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

Apr. 30, 1915.....	1,320	27,040	680	2,200	5,800	4,050	4,380	626	2,400	2,000	2,500	1,280	54,336
May 28, 1915.....	2,320	31,840	1,640	2,900	7,200	4,960	4,380	626	2,600	2,600	6,000	2,040	67,156
June 25, 1915.....	3,320	40,500	2,400	3,700	7,750	5,150	4,380	626	3,300	3,600	6,195	2,040	82,961
July 30, 1915.....	4,420	47,720	2,930	4,700	8,400	5,500	4,380	626	4,400	4,100	8,915	2,040	97,331
Aug. 27, 1915.....	4,620	52,820	3,610	5,200	9,000	5,600	4,380	836	5,000	5,580	10,215	3,040	109,901
Sept. 24, 1915.....	5,120	59,220	4,670	6,400	10,760	9,280	4,380	2,426	6,700	6,780	13,325	4,000	133,060
Oct. 29, 1915.....	5,820	70,960	6,160	8,600	13,800	13,900	4,380	5,325	11,000	7,880	15,445	4,600	168,370
Nov. 26, 1915.....	7,820	79,160	7,960	9,200	14,440	15,750	4,380	6,450	12,500	9,900	15,385	4,370	187,815
Dec. 30, 1915.....	10,020	88,440	9,160	11,000	15,630	18,950	4,380	8,950	14,000	11,000	15,145	6,450	214,125
Gold and lawful money in hands of or to credit of Federal Reserve Agent:													
Nov. 27, 1914.....	100	9,915	740	2	.....	.....	225	600	260	260	.....	140	225
Jan. 29, 1915.....	105	10,170	740	24	.....	36	225	600	410	260	.....	830	12,252
Feb. 26, 1915.....	110	11,561	740	147	.....	500	2,400	626	760	1,160	.....	860	15,401
Mar. 26, 1915.....	1,310	15,833	720	1,200	.....	.....	4,380	626	1,460	1,160	.....	1,280	30,999
Apr. 30, 1915.....	1,320	26,859	680	2,200	.....	.....	4,380	626	2,460	1,660	.....	1,280	42,315
May 28, 1915.....	1,320	31,660	1,640	2,900	2,200	600	4,380	626	2,660	2,060	455	2,040	54,601
June 25, 1915.....	3,320	40,320	2,400	3,700	2,550	1,960	4,380	626	3,300	2,960	1,450	2,040	68,996
July 30, 1915.....	4,420	47,520	2,930	4,700	2,300	2,150	4,380	626	4,400	3,410	2,550	2,040	81,426
Aug. 27, 1915.....	4,620	52,550	3,610	5,200	1,900	2,250	4,380	626	4,400	4,410	4,000	3,040	90,986
Sept. 24, 1915.....	5,120	58,960	4,670	6,400	4,000	5,500	4,380	2,010	6,700	5,310	8,140	4,000	115,180
Oct. 29, 1915.....	5,820	70,740	6,160	8,600	8,500	9,650	4,380	5,325	11,000	6,015	11,040	4,600	151,830
Nov. 26, 1915.....	7,820	79,010	7,960	9,200	8,800	11,500	4,380	6,450	12,500	7,815	11,290	4,370	171,085
Dec. 30, 1915.....	10,020	89,300	9,160	11,000	9,550	14,200	4,380	8,950	14,000	9,000	11,440	6,450	197,450
Paper held by Federal Reserve Agent:													
Nov. 27, 1914.....	110	1,000	420	.....	100	20	1,478	.....	175	331	.....	.....	3,634
Dec. 31, 1914.....	10	85	.....	202	790	500	2,171	100	.....	75	500	520	4,953
Jan. 29, 1915.....	5	430	.....	180	1,000	965	.....	.....	.....	85	500	230	3,395
Feb. 26, 1915.....	.....	239	.....	207	2,701	2,100	.....	101	.....	201	1,200	.....	6,749
Mar. 26, 1915.....	.....	207	.....	.....	4,002	4,101	.....	200	.....	200	1,500	.....	10,220
Apr. 30, 1915.....	10	181	.....	.....	5,201	3,804	.....	.....	.....	340	2,500	.....	12,026
May 28, 1915.....	.....	180	.....	.....	5,001	3,203	.....	.....	.....	540	3,546	.....	12,470

Federal Reserve notes received from the Comptroller of the Currency, issued to each Federal Reserve Bank and in actual circulation, gold and lawful money, also paper, held by each Federal Reserve Agent, and amounts of Federal Reserve notes held and amounts carried to net assets and liabilities by each Federal Reserve Bank on the last Friday in each month from Nov., 1914, to Dec. 30, 1915—Continued.

[In thousands of dollars.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Paper held by Federal Reserve Agent—													
Continued.													
June 25, 1915.....		180			6,222	3,203				640	4,746		13,991
July 30, 1915.....		200			6,739	3,351				601	5,836		16,817
Aug. 27, 1915.....		270			7,506	3,359		212	602	1,170	6,231		19,350
Sept. 24, 1915.....		270			6,843	3,787		417		1,471	5,325		18,113
Oct. 20, 1915.....		220			5,301	4,260		500		1,869	4,413		16,553
Nov. 26, 1915.....		150			5,772	4,751		500		2,087	4,323		17,583
Dec. 30, 1915.....		140			6,096	4,751				2,002	3,751		16,740
Federal Reserve notes in hands of bank:													
Nov. 27, 1914.....	55	322	36		55		643		3	41			1,155
Dec. 31, 1914.....	11	5,481	8	62	10	66	449	61	13	3	90	337	6,591
Jan. 20, 1915.....	10	2,840	7	61	160	170	415	1	147	11	49	424	4,295
Feb. 26, 1915.....	10	419	11	30	187	134	2,313	11	138	523	528	329	4,633
Mar. 26, 1915.....	444	2,248	6	332	123	220	2,207	12	417	370	368	672	7,419
Apr. 30, 1915.....	284	3,328	6		123	153	2,245	26	596	303	223	605	7,892
May 28, 1915.....	372	3,358	34	267	404	323	2,300	42	175	347	290	1,397	9,309
June 25, 1915.....	357	4,646	51	283	199	397	2,306	60	284	168	404	1,317	10,472
July 30, 1915.....	419	6,463	90	307	245	522	2,370	110	534	140	333	1,171	12,704
Aug. 27, 1915.....	495	7,515	150	406	235	349	2,431	191	443	328	361	1,704	14,668
Sept. 24, 1915.....	368	8,258	599	335	315	750	2,208	914	895	477	305	1,974	17,398
Oct. 20, 1915.....	745	11,596	805	385	426	628	2,190	1,262	1,566	488	360	1,874	22,345
Nov. 26, 1915.....	1,077	13,592	240	306	286	984	1,846	395	712	1,159	361	1,544	22,511
Dec. 30, 1915.....	709	16,017	401	292	814	1,294	1,695	817	818	522	419	1,301	25,099

Federal Reserve notes issued by the Federal Reserve Bank and in circulation:

Nov. 27, 1914.....	55	678	384	.....	45	20	1,057	.....	172	289	.....	.....	2,700
Dec. 31, 1914.....	99	4,519	732	149	790	434	1,961	639	247	332	410	323	10,608
Jan. 29, 1915.....	100	7,780	733	143	840	530	1,985	625	283	334	451	486	14,500
Feb. 26, 1915.....	100	11,331	729	324	2,513	2,466	2,067	615	722	837	672	531	22,937
Mar. 26, 1915.....	876	16,792	714	868	3,877	3,880	2,173	614	1,243	990	1,132	608	33,767
Apr. 30, 1915.....	1,036	23,712	674	2,200	6,677	3,897	2,135	600	1,864	1,697	2,277	676	46,444
May 28, 1915.....	1,948	28,482	1,006	2,633	6,796	4,627	2,080	584	2,485	2,253	3,710	643	57,847
June 26, 1915.....	2,963	35,854	2,349	3,417	7,551	4,753	2,074	566	3,016	3,432	6,791	723	72,489
July 30, 1915.....	4,001	41,257	2,840	4,363	8,155	4,978	2,010	516	3,866	3,960	8,282	969	85,127
Aug. 27, 1915.....	4,125	45,305	3,460	4,794	8,765	5,231	1,949	645	4,557	5,262	9,854	1,276	96,233
Sept. 24, 1915.....	4,752	50,962	4,071	6,065	10,445	8,530	2,172	1,511	5,805	6,303	13,020	2,026	115,662
Oct. 29, 1915.....	5,075	59,364	5,835	8,215	13,374	13,272	2,190	4,543	9,494	7,992	15,085	2,726	146,025
Nov. 26, 1915.....	6,743	65,568	7,711	8,894	14,154	14,766	2,534	6,555	11,788	8,741	15,024	2,826	165,304
Dec. 30, 1915.....	9,311	73,423	8,759	10,708	14,816	17,656	2,685	8,133	13,182	10,478	14,726	5,149	189,026
Federal Reserve notes, amount of, carried to net assets:													
Nov. 27, 1914.....	1	5,396	8	.....	.....	.....	415	.....	13	.....	.....	.....	5,418
Dec. 31, 1914.....	5	2,410	7	.....	.....	.....	2,313	1	147	.....	.....	194	3,179
Jan. 29, 1915.....	10	180	11	.....	.....	.....	2,207	11	88	323	.....	329	3,215
Feb. 26, 1915.....	434	2,041	6	332	.....	.....	2,245	12	217	170	.....	672	6,091
Mar. 26, 1915.....	264	3,147	6	.....	.....	.....	2,306	26	506	.....	.....	605	6,909
Apr. 30, 1915.....	372	3,178	34	267	.....	.....	2,370	42	175	.....	.....	1,397	7,765
May 28, 1915.....	357	4,466	51	283	.....	.....	2,306	60	284	.....	.....	1,317	9,124
June 26, 1915.....	419	6,363	90	72	.....	.....	2,431	110	534	.....	.....	1,171	11,029
July 30, 1915.....	485	7,245	150	406	.....	.....	2,208	.....	.....	.....	.....	1,704	12,491
Aug. 27, 1915.....	368	7,668	599	335	.....	.....	2,190	499	886	.....	.....	1,974	14,866
Sept. 24, 1915.....	745	11,376	805	338	.....	.....	1,846	782	1,566	.....	.....	1,874	19,723
Oct. 29, 1915.....	1,077	13,442	249	306	.....	.....	1,665	.....	712	.....	.....	1,544	19,176
Nov. 26, 1915.....	709	15,877	401	292	.....	.....	.....	817	818	.....	.....	1,301	21,910

Federal Reserve notes received from the Comptroller of the Currency, issued to each Federal Reserve Bank and in actual circulation, gold and lawful money, also paper, held by each Federal Reserve Agent, and amounts of Federal Reserve notes held and amounts carried to net assets and liabilities by each Federal Reserve Bank on the last Friday in each month from Nov., 1914, to Dec. 30, 1915—Continued.

[In thousands of dollars.]

	Boston.	New York.	Phila- delphia.	Cleve- land.	Rich- mond.	Atlanta.	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	Total.
Federal Reserve notes, amount of, carried													
to net liabilities:													
Nov. 27, 1914.....	53	678	384	.....	45	20	832	.....	172	289	.....	.....	2,475
Dec. 31, 1914.....				140	780	434	1,716	39	.....	72	410	183	3,774
Jan. 26, 1915.....				119	840	794	.....	.....	.....	74	451	.....	2,278
Feb. 26, 1915.....				177	2,513	1,966	.....	.....	.....	.....	672	.....	5,328
Mar. 26, 1915.....				.....	3,877	3,880	.....	.....	.....	.....	1,122	.....	8,889
Apr. 30, 1915.....				.....	5,077	3,647	.....	.....	.....	37	2,277	.....	11,038
May 26, 1915.....				.....	4,596	2,877	.....	.....	.....	193	3,255	.....	10,921
June 26, 1915.....				.....	5,001	2,803	.....	.....	.....	472	4,341	.....	12,617
July 30, 1915.....				.....	5,865	2,828	.....	.....	.....	550	5,732	.....	14,966
Aug. 27, 1915.....				.....	6,865	3,001	.....	19	157	842	5,854	.....	16,738
Sept. 24, 1915.....				.....	6,445	3,030	.....	.....	.....	993	4,880	.....	15,348
Oct. 26, 1915.....				.....	4,874	3,622	.....	.....	.....	1,377	4,045	.....	13,918
Nov. 26, 1915.....				.....	5,354	3,266	.....	106	.....	926	3,734	.....	12,385
Dec. 30, 1915.....				.....	5,266	3,456	.....	.....	.....	1,478	3,286	.....	13,486

Statement of Federal Reserve notes by denominations, printed, shipped to Federal Reserve Agents, and on hand in reserve vault, Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston:						
Printed.....	\$18,000,000	\$13,600,000	\$6,800,000	\$2,200,000	\$4,400,000	\$45,000,000
Shipped.....	5,080,000	5,920,000	1,760,000	1,600,000	2,000,000	16,360,000
On hand.....	12,920,000	7,680,000	5,040,000	600,000	2,400,000	28,640,000
New York:						
Printed.....	107,960,000	129,000,000	51,040,000	6,000,000	8,000,000	302,000,000
Shipped.....	36,600,000	45,520,000	15,520,000	2,200,000	6,400,000	106,240,000
On hand.....	71,360,000	83,480,000	35,520,000	3,800,000	1,600,000	195,760,000
Philadelphia:						
Printed.....	20,000,000	15,000,000	7,200,000	2,600,000	5,200,000	50,000,000
Shipped.....	5,400,000	4,680,000	2,400,000			12,480,000
On hand.....	14,600,000	10,320,000	4,800,000	2,600,000	5,200,000	37,520,000
Cleveland:						
Printed.....	17,680,000	15,120,000	10,000,000	2,400,000	4,800,000	50,000,000
Shipped.....	2,480,000	3,520,000	4,800,000	1,000,000	800,000	12,600,000
On hand.....	15,200,000	11,600,000	5,200,000	1,400,000	4,000,000	37,400,000
Richmond:						
Printed.....	10,000,000	10,400,000	5,680,000	3,400,000	2,400,000	31,880,000
Shipped.....	4,800,000	4,880,000	4,720,000	1,800,000	800,000	17,000,000
On hand.....	5,200,000	5,520,000	980,000	1,600,000	1,600,000	14,880,000
Atlanta:						
Printed.....	10,800,000	7,000,000	4,800,000	1,400,000	2,000,000	26,000,000
Shipped.....	6,400,000	7,000,000	4,800,000	1,200,000	1,200,000	20,600,000
On hand.....	4,400,000			200,000	800,000	5,400,000
Chicago:						
Printed.....	24,000,000	18,040,000	8,960,000	3,000,000	6,000,000	60,000,000
Shipped.....	7,780,000	200,000	800,000	200,000	400,000	9,380,000
On hand.....	16,220,000	17,840,000	8,160,000	2,800,000	5,600,000	50,620,000
St. Louis:						
Printed.....	11,960,000	8,960,000	4,480,000	1,400,000	3,200,000	30,000,000
Shipped.....	4,360,000	2,840,000	2,000,000	400,000		9,600,000
On hand.....	7,600,000	6,120,000	2,480,000	1,000,000	3,200,000	20,400,000
Minneapolis:						
Printed.....	14,000,000	8,160,000	5,040,000	800,000	2,000,000	30,000,000
Shipped.....	7,640,000	6,480,000	4,080,000	400,000	400,000	19,000,000
On hand.....	6,360,000	1,680,000	960,000	400,000	1,600,000	11,000,000
Kansas City:						
Printed.....	8,000,000	6,160,000	3,040,000	800,000	2,000,000	20,000,000
Shipped.....	8,000,000	5,160,000	2,240,000	600,000		16,000,000
On hand.....		1,000,000	800,000	200,000	2,000,000	4,000,000

Statement of Federal Reserve notes by denominations, printed, shipped to Federal Reserve Agents, and on hand in reserve vault, Dec. 31, 1915—Continued.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Dallas:						
Printed.....	\$9,200,000	\$7,000,000	\$5,780,000	\$1,400,000	\$1,600,000	\$24,980,000
Shipped.....	5,900,000	6,360,000	5,520,000	1,400,000	400,000	19,580,000
On hand.....	3,300,000	640,000	240,000	.....	1,200,000	5,380,000
San Francisco:						
Printed.....	14,000,000	10,600,000	5,200,000	1,600,000	3,600,000	35,000,000
Shipped.....	4,160,000	2,760,000	1,680,000	600,000	2,000,000	11,200,000
On hand.....	9,840,000	7,840,000	3,520,000	1,000,000	1,600,000	23,800,000

VAULT BALANCE, DEC. 31, 1915.

Total printed.....	\$265,600,000	\$249,040,000	\$118,000,000	\$27,000,000	\$45,200,000	\$704,840,000
Total shipped.....	98,600,000	95,320,000	50,320,000	11,400,000	14,400,000	270,040,000
Total on hand.....	167,000,000	153,720,000	67,680,000	15,600,000	30,800,000	434,800,000

Federal Reserve notes by denominations issued through the Federal Reserve Agents to the banks, also the amounts retired and outstanding, Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston:						
Issued.....	\$3,620,000	\$4,680,000	\$640,000	\$600,000	\$680,000	\$10,520,000
Retired.....	260,000	210,000	.....	10,000	20,000	500,000
Outstanding.....	3,360,000	4,470,000	640,000	590,000	660,000	10,020,000
New York:						
Issued.....	35,600,000	36,160,000	12,080,000	1,600,000	4,800,000	90,240,000
Retired.....	.....	.....	800,000	.....	.....	800,000
Outstanding.....	35,600,000	36,160,000	11,280,000	1,600,000	4,800,000	89,440,000
Philadelphia:						
Issued.....	3,840,000	3,880,000	2,080,000	.....	.....	9,800,000
Retired.....	529,000	111,000	.....	.....	.....	640,000
Outstanding.....	3,311,000	3,769,000	2,080,000	.....	.....	9,160,000
Cleveland:						
Issued.....	2,120,000	3,280,000	4,400,000	750,000	530,000	11,080,000
Retired.....	35,000	25,000	20,000	.....	.....	80,000
Outstanding.....	2,085,000	3,255,000	4,380,000	750,000	530,000	11,000,000
Richmond:						
Issued.....	4,690,000	4,990,000	4,680,000	1,650,000	670,000	16,680,000
Retired.....	110,000	200,000	340,000	280,000	140,000	1,050,000
Outstanding.....	4,580,000	4,790,000	4,340,000	1,390,000	530,000	15,630,000

Federal Reserve notes by denominations issued through the Federal Reserve Agents to the banks, also the amounts retired and outstanding, Dec. 31, 1915—Continued.

Banks.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Atlanta:						
Issued.....	\$9,480,000	\$7,011,000	\$5,650,000	\$340,000	\$1,245,000	\$21,226,000
Retired.....	280,000	291,000	850,000	355,000	520,000	2,276,000
Outstanding.....	6,220,000	6,720,000	4,800,000	485,000	725,000	18,950,000
Chicago:						
Issued.....	3,540,000	200,000	800,000	200,000	400,000	5,140,000
Retired.....	780,000					780,000
Outstanding.....	2,780,000	200,000	800,000	200,000	400,000	4,380,000
St. Louis:						
Issued.....	4,197,000	2,870,940	1,928,560	200,000		9,196,500
Retired.....	167,000	70,940	8,580			246,500
Outstanding.....	4,030,000	2,800,000	1,920,000	200,000		8,950,000
Minneapolis:						
Issued.....	5,662,000	4,960,000	3,120,000	110,000	150,000	14,002,000
Retired.....	2,000					2,000
Outstanding.....	5,660,000	4,960,000	3,120,000	110,000	150,000	14,000,000
Kansas City:						
Issued.....	5,990,000	3,410,000	1,360,000	570,000		11,330,000
Retired.....	70,000	10,000	80,000	170,000		330,000
Outstanding.....	5,920,000	3,400,000	1,280,000	400,000		11,000,000
Dallas:						
Issued.....	4,620,000	5,800,000	4,640,000	1,070,000	50,000	16,180,000
Retired.....	127,000	297,000	256,000	340,000	15,000	1,035,000
Outstanding.....	4,493,000	5,503,000	4,384,000	730,000	35,000	15,145,000
San Francisco:						
Issued.....	2,160,000	1,520,000	1,680,000	600,000	800,000	6,760,000
Retired.....	170,000	140,000				310,000
Outstanding.....	1,990,000	1,380,000	1,680,000	600,000	800,000	6,450,000

RECAPITULATION.

Total issued.....	\$32,519,000	\$78,761,940	\$43,058,560	\$8,190,000	\$9,625,000	\$222,154,500
Total retired.....	2,490,000	1,354,940	2,354,580	1,135,000	695,000	8,029,500
Total outstanding.....	80,029,000	77,407,000	40,704,000	7,055,000	9,930,000	214,125,000

Statement of Federal Reserve notes by denominations since organization of banks, received by agents, issued to the banks, returned to the Comptroller for destruction, and on hand Dec. 31, 1915, as reported by Federal Reserve Agents.

RECEIVED FROM COMPTROLLER OF THE CURRENCY.

Federal Reserve Agent at—	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston.....	\$5,080,000	\$5,920,000	\$1,780,000	\$1,600,000	\$2,000,000	\$16,380,000
New York.....	36,600,000	45,520,000	15,520,000	2,200,000	6,400,000	106,240,000
Philadelphia.....	5,400,000	4,680,000	2,400,000	.....	.....	12,480,000
Cleveland.....	2,480,000	3,520,000	4,800,000	1,000,000	800,000	12,600,000
Richmond.....	4,800,000	4,880,000	4,720,000	1,800,000	800,000	17,000,000
Atlanta.....	6,400,000	6,800,000	4,800,000	1,200,000	1,200,000	20,400,000
Chicago.....	7,780,000	200,000	800,000	200,000	400,000	9,380,000
St. Louis.....	4,360,000	2,840,000	2,000,000	400,000	.....	9,600,000
Minneapolis.....	7,640,000	6,480,000	4,080,000	400,000	400,000	19,000,000
Kansas City.....	6,200,000	4,360,000	1,280,000	600,000	.....	12,440,000
Dallas.....	5,900,000	6,360,000	5,520,000	1,400,000	400,000	19,580,000
San Francisco.....	4,160,000	2,760,000	1,680,000	600,000	800,000	10,000,000
Total.....	93,800,000	94,320,000	49,360,000	11,400,000	13,200,000	265,080,000

RETURNED BY FEDERAL RESERVE BANKS.

Boston.....	\$260,000	\$210,000	.....	\$10,000	\$20,000	\$600,000
New York.....	.....	.....	\$800,000	.....	.....	800,000
Philadelphia.....	529,000	111,000	.....	.....	.....	640,000
Cleveland.....	35,000	25,000	20,000	.....	.....	80,000
Richmond.....	110,000	200,000	340,000	280,000	140,000	1,050,000
Atlanta.....	260,000	291,000	850,000	355,000	520,000	2,276,000
Chicago.....	760,000	.....	.....	.....	.....	760,000
St. Louis.....	167,000	70,940	8,560	.....	.....	246,500
Minneapolis.....	2,000	.....	.....	.....	.....	2,000
Kansas City.....	70,000	10,000	80,000	170,000	.....	320,000
Dallas.....	127,000	297,000	256,000	340,000	15,000	1,035,000
San Francisco.....	170,000	140,000	.....	.....	.....	310,000
Total.....	2,490,000	1,354,940	2,354,560	1,135,000	695,000	8,029,500

TOTAL AMOUNTS FOR WHICH FEDERAL RESERVE AGENTS ARE ACCOUNTABLE.

Boston.....	\$5,340,000	\$6,130,000	\$1,780,000	\$1,610,000	\$2,020,000	\$16,880,000
New York.....	36,600,000	45,520,000	16,320,000	2,200,000	6,400,000	107,040,000
Philadelphia.....	5,929,000	4,791,000	2,400,000	.....	.....	13,120,000
Cleveland.....	2,515,000	3,545,000	4,820,000	1,000,000	800,000	12,680,000
Richmond.....	4,910,000	5,080,000	5,080,000	2,080,000	940,000	18,060,000
Atlanta.....	6,660,000	7,091,000	5,650,000	1,555,000	1,720,000	22,676,000
Chicago.....	8,540,000	200,000	800,000	200,000	400,000	10,140,000
St. Louis.....	4,527,000	2,910,940	2,008,560	400,000	.....	9,846,500
Minneapolis.....	7,642,000	6,480,000	4,080,000	400,000	400,000	19,002,000
Kansas City.....	6,270,000	4,370,000	1,360,000	770,000	.....	12,770,000
Dallas.....	6,027,000	6,657,000	5,776,000	1,740,000	415,000	20,615,000
San Francisco.....	4,330,000	2,900,000	1,680,000	600,000	800,000	10,310,000
Total.....	99,290,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500

Statement of Federal Reserve notes by denominations since organization of banks, received by agents, issued to the banks, returned to the Comptroller for destruction, and on hand Dec. 31, 1915, as reported by Federal Reserve Agents—Continued.

ISSUED TO FEDERAL RESERVE BANKS.

Federal Reserve Agent at—	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston.....	\$3,620,000	\$4,680,000	\$640,000	\$600,000	\$980,000	\$10,520,000
New York.....	35,600,000	36,160,000	12,080,000	1,600,000	4,800,000	90,240,000
Philadelphia.....	3,840,000	3,880,000	2,080,000	.....	.....	9,800,000
Cleveland.....	2,120,000	3,280,000	4,400,000	750,000	530,000	11,080,000
Richmond.....	4,690,000	4,990,000	4,680,000	1,650,000	670,000	16,680,000
Atlanta.....	6,480,000	7,011,000	5,650,000	840,000	1,245,000	21,226,000
Chicago.....	3,540,000	200,000	800,000	200,000	400,000	5,140,000
St. Louis.....	4,197,000	2,870,940	1,928,560	200,000	.....	9,196,500
Minneapolis.....	5,662,000	4,960,000	3,120,000	110,000	150,000	14,002,000
Kansas City.....	5,990,000	3,410,000	1,360,000	570,000	.....	11,330,000
Dallas.....	4,620,000	5,800,000	4,640,000	1,070,000	50,000	16,180,000
San Francisco.....	2,160,000	1,520,000	1,680,000	600,000	800,000	6,760,000
Total.....	82,519,000	78,761,940	43,058,560	8,190,000	9,625,000	222,154,500

RETURNED TO COMPTROLLER FOR DESTRUCTION.

Boston.....	\$260,000	\$210,000	.....	\$10,000	\$20,000	\$500,000
New York.....	.....	.....	.....	.....	.....	.....
Philadelphia.....	529,000	111,000	.....	.....	.....	640,000
Cleveland.....	35,000	25,000	\$20,000	.....	.....	80,000
Richmond.....	.....	.....	.....	.....	.....	.....
Atlanta.....	.....	.....	.....	.....	.....	.....
Chicago.....	120,000	.....	.....	.....	.....	120,000
St. Louis.....	.....	.....	.....	.....	.....	.....
Minneapolis.....	.....	.....	.....	.....	.....	.....
Kansas City.....	.....	.....	.....	.....	.....	.....
Dallas.....	43,000	14,000	4,000	.....	.....	61,000
San Francisco.....	170,000	60,000	.....	.....	.....	230,000
Total.....	1,157,000	420,000	24,000	10,000	20,000	1,631,000

IN HANDS OF FEDERAL RESERVE AGENTS, DEC. 31, 1915.

Boston.....	\$1,460,000	\$1,240,000	\$1,120,000	\$1,000,000	\$1,020,000	\$5,840,000
New York.....	1,000,000	9,360,000	4,240,000	600,000	1,600,000	16,800,000
Philadelphia.....	1,560,000	800,000	320,000	.....	.....	2,680,000
Cleveland.....	260,000	240,000	400,000	250,000	270,000	1,520,000
Richmond.....	220,000	90,000	380,000	410,000	270,000	1,370,000
Atlanta.....	180,000	80,000	.....	715,000	475,000	1,450,000
Chicago.....	4,890,000	.....	.....	.....	.....	4,890,000
St. Louis.....	330,000	40,000	80,000	200,000	.....	650,000
Minneapolis.....	1,980,000	1,520,000	960,000	280,000	250,000	5,000,000
Kansas City.....	280,000	960,000	.....	200,000	.....	1,440,000
Dallas.....	1,364,000	843,000	1,122,000	670,000	365,000	4,374,000
San Francisco.....	2,000,000	1,320,000	.....	.....	.....	3,320,000
Total.....	15,614,000	16,493,000	8,632,000	4,335,000	4,250,000	49,324,000

Statement of Federal Reserve notes by denominations since organization of banks, received by agents, issued to the banks, returned to the Comptroller for destruction, and on hand Dec. 31, 1915, as reported by Federal Reserve Agents—Continued.

TOTAL AMOUNTS OF FEDERAL RESERVE NOTES ACCOUNTED FOR.

Federal Reserve Agent at—	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston.....	\$5,340,000	\$6,130,000	\$1,760,000	\$1,610,000	\$2,020,000	\$16,860,000
New York.....	36,600,000	45,520,000	16,320,000	2,200,000	6,400,000	107,040,000
Philadelphia.....	5,928,000	4,791,000	2,400,000	.....	.....	13,120,000
Cleveland.....	2,515,000	3,545,000	4,820,000	1,000,000	800,000	12,680,000
Richmond.....	4,910,000	5,080,000	5,060,000	2,060,000	940,000	18,050,000
Atlanta.....	6,660,000	7,091,000	5,650,000	1,555,000	1,720,000	22,676,000
Chicago.....	8,540,000	200,000	800,000	200,000	400,000	10,140,000
St. Louis.....	4,527,000	2,910,940	2,008,560	400,000	.....	9,846,500
Minneapolis.....	7,642,000	6,480,000	4,080,000	400,000	400,000	19,002,000
Kansas City.....	6,270,000	4,370,000	1,360,000	770,000	.....	12,770,000
Dallas.....	6,027,000	6,657,000	5,776,000	1,740,000	415,000	20,615,000
San Francisco.....	4,330,000	2,900,000	1,680,000	600,000	800,000	10,310,000
Total.....	99,280,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500

RECAPITULATION.

Received from comptroller.....	\$96,800,000	\$94,320,000	\$49,360,000	\$11,400,000	\$13,200,000	\$265,080,000
Returned by banks.....	2,490,000	1,354,940	2,354,560	1,135,000	695,000	8,029,500
Total.....	99,280,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500
Issued to banks.....	82,519,000	78,761,940	43,058,560	8,190,000	9,625,000	222,154,500
Returned for destruction.....	1,157,000	420,000	24,000	10,000	20,000	1,631,000
On hand Dec. 31, 1915.....	15,614,000	16,493,000	8,632,000	4,335,000	4,250,000	49,324,000
Total.....	99,280,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500

Mutilated Federal Reserve notes, by denominations, received from Federal Reserve Agents for destruction, to Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston.....	\$278,000	\$212,000	.....	\$10,000	\$20,000	\$520,000
Philadelphia.....	511,000	109,000	.....	.....	.....	620,000
Cleveland.....	35,000	25,000	\$20,000	.....	.....	80,000
Chicago.....	120,000	.....	.....	.....	.....	120,000
Dallas.....	43,000	14,000	4,000	.....	.....	61,000
San Francisco.....	170,000	60,000	.....	.....	.....	230,000
Total.....	1,157,000	420,000	24,000	10,000	20,000	1,631,000

VAULT BALANCE (MUTILATED NOTES), DEC. 31, 1915.

Total received.....	\$1,157,000	\$420,000	\$24,000	\$10,000	\$20,000	\$1,631,000
Total destroyed.....	1,082,000	363,000	10,000	.....	.....	1,455,000
On hand.....	75,000	57,000	14,000	10,000	20,000	176,000

NOTE.—Burned, badly mutilated, and fractional parts of Federal Reserve notes, amounting to \$245 have been identified, valued, and the bank of issue determined.

Amount of Federal Reserve Bank currency received by Comptroller of the Currency from Bureau of Engraving and Printing, issued, and on hand Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Total on hand.
Cleveland.....	\$1,000,000	\$1,000,000	\$1,040,000	\$3,040,000
Richmond.....	200,000	400,000	400,000	1,000,000
Chicago.....	800,000	1,200,000	560,000	2,560,000
Minneapolis.....	600,000	1,200,000	.....	1,800,000
Kansas City.....	.....	2,000,000	.....	2,000,000
Dallas:				
Received.....	40,000	400,000	560,000	.....
Issued.....	10,000	280,000	480,000	.....
On hand.....	30,000	120,000	80,000	230,000
Total on hand.....	2,630,000	5,920,000	2,080,000	10,630,000

NOTE.—Plates for fives, tens, and twenties, and printing of \$5,000,000 have been ordered for San Francisco, and plates for fives, tens, twenties, fifties, and hundreds engraved for both Boston and New York, and fives, tens, and twenties for St. Louis, but no currency ordered printed.

COST OF FEDERAL RESERVE NOTES.

The cost to each Federal Reserve Bank of Federal Reserve notes, including paper, preparing plates, and printing, to December 31, 1915, but exclusive of cost of transmittal is as follows:

Federal Reserve Bank:

Boston.....	\$50,035.37
New York.....	336,392.93
Philadelphia.....	54,805.29
Cleveland.....	51,568.85
Richmond.....	32,171.29
Atlanta.....	29,962.09
Chicago.....	65,708.94
St. Louis.....	33,602.08
Minneapolis.....	36,085.49
Kansas City.....	22,574.59
Dallas.....	27,388.85
San Francisco.....	38,599.76
Total.....	778,893.53

INTERDISTRICT MOVEMENT OF FEDERAL RESERVE NOTES.

Amounts of Federal Reserve notes received from and returned to other Federal Reserve Banks for redemption or credit by each Federal Reserve Bank during the period Nov. 16, 1914, to Dec. 31, 1915.

Federal Reserve Bank.	Boston.		New York.		Philadelphia.		Cleveland.		Richmond.		Atlanta.	
	Received.	Returned.	Received.	Returned.	Received.	Returned.	Received.	Returned.	Received.	Returned.	Received.	Returned.
Boston.....												
New York.....	\$232,070	\$954,645	\$924,655	\$240,420	\$31,660	\$29,750.00	\$24,315	\$575	\$69,865	\$1,440	\$29,800	\$1,265
Philadelphia.....	29,750	31,660	1,324,615	330,590	320,610	1,340,617.50	284,095	22,530	1,513,965	42,810	662,515	82,285
Cleveland.....	575	24,315	22,530	246,355	1,055	57,405.00	57,405	1,055	337,750	4,155	60,105	2,525
Richmond.....	1,440	69,865	42,810	1,539,935	4,155	337,750.00	2,135	6,730	6,730	2,135	970	6,750
Atlanta.....	1,265	29,800	82,285	688,435	2,525	60,105.00	6,750	970	91,195	19,420	19,420	91,195
Chicago.....	7,400	22,925	212,200	81,215	11,540	11,995.00	51,280	2,000	54,735	265	66,925	1,870
St. Louis.....	3,050	3,770	72,555	55,780	3,115	4,645.00	19,090	240	29,690	190	115,755	1,965
Minneapolis.....	160	20,305	2,885	114,625	260	10,935.00	560	1,185	500	350	800	1,825
Kansas City.....	550	12,485	4,470	130,995	260	11,465.00	935	1,095	1,590	420	1,695	2,235
Dallas.....	290	22,780	8,505	337,650	245	23,915.00	1,170	1,405	1,545	2,540	40,110	144,740
San Francisco.....	6,330	7,205	105,735	190,490	4,165	8,180.00	9,385	195	19,250	25	15,465	540
Total.....	282,870	1,199,785	2,806,245	3,946,190	379,620	1,996,762.50	407,110	37,970	2,126,815	73,780	1,013,350	337,185

INTERDISTRICT MOVEMENT OF FEDERAL RESERVE NOTES—Continued.

Amounts of Federal Reserve notes received from and returned to other Federal Reserve Banks for redemption or credit by each Federal Reserve Bank during the period Nov. 16, 1914, to Dec. 31, 1915—Continued.

Federal Reserve Bank.	Chicago.		St. Louis.		Minneapolis.		Kansas City.		Dallas.		San Francisco.		Total.	
	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Received.	Returned.
Boston.....	\$22,925	\$7,400	\$3,770	\$3,050	\$20,305	\$160	\$12,485	\$550	\$22,780	\$505	\$7,205	\$6,330	\$1,169,795	\$291,435.00
New York.....	77,955	212,200	50,890	72,555	114,625	2,885	120,245	4,470	308,700	10,505	181,650	108,735	3,817,320	2,854,237.50
Philadelphia.....	11,965	11,540	4,645	3,115	10,835	270	10,535	260	23,915	415	8,190	4,165	1,879,830	399,780.00
Cleveland.....	2,000	51,280	240	19,080	1,185	560	1,085	935	1,405	1,560	195	9,385	37,970	419,760.00
Richmond.....	265	54,735	190	29,690	350	500	420	1,590	2,540	2,845	25	19,250	73,760	2,154,085.00
Atlanta.....	1,870	66,925	1,965	115,755	1,825	600	2,115	1,685	144,740	55,110	540	15,465	337,065	1,084,270.00
Chicago.....	.....	.....	38,155	41,040	252,795	5,970	192,770	950	149,680	1,065	40,895	8,900	1,077,375	178,195.00
St. Louis.....	41,040	38,155	.....	.....	24,875	435	404,030	3,090	1,569,735	9,220	6,625	3,260	2,289,550	120,760.00
Minneapolis.....	5,970	252,795	435	24,875	.....	.....	2,535	2,945	1,140	1,845	2,195	23,140	17,240	454,825.00
Kansas City.....	950	192,770	3,090	404,030	2,900	1,140	.....	.....	14,190	19,160	1,055	24,195	31,575	801,075.00
Dallas.....	1,065	146,680	7,220	1,569,735	1,945	1,140	.....	.....	.....	.....	725	33,765	76,880	2,280,540.00
San Francisco.....	8,900	40,985	3,260	6,625	23,140	2,195	24,195	1,055	33,765	1,045	.....	.....	256,590	258,450.00
Total.....	174,935	1,077,375	113,860	2,289,550	454,680	17,250	784,575	31,720	2,271,590	103,275	249,290	256,990	11,064,940	11,267,402.50

Exhibit C.—STATEMENTS OF CONDITION OF FEDERAL RESERVE BANKS.

Combined resources and liabilities of all Federal Reserve Banks as at close of business on the last Friday of each month during 1915.

RESOURCES.

[In thousands of dollars.]

	Dec. 31, 1914.	Jan. 26.	Feb. 26.	Mar. 26.	Apr. 30.	May 28.	June 26.	July 30.	Aug. 27.	Sept. 24.	Oct. 26.	Nov. 26.	Dec. 30.
Gold coins and certificates in vault.....	228,641	235,417	248,266	241,344	237,278	219,187	222,746	212,988	211,145	229,972	218,224	245,966	266,546
Gold settlement fund.....						23,426	31,360	52,140	56,930	59,060	61,960	73,830	77,263
Gold redemption fund.....	428	488	653	824	940	1,027	1,081	1,064	1,104	1,202	1,222	1,252	1,124
Total gold reserve.....	229,069	235,905	248,909	242,168	238,228	242,640	255,187	266,192	268,179	290,224	281,406	321,068	344,933
Legal tender notes, silver, etc.....	26,578	20,882	20,065	23,046	26,518	31,969	47,848	22,092	19,878	22,920	37,058	37,212	13,525
Total reserve.....	255,647	256,787	277,974	265,206	264,746	274,609	303,035	288,284	288,057	313,144	318,464	358,280	358,458
Commercial paper a.....	9,009	13,955	18,577	22,001	22,774	24,747	25,966	29,102	29,275	31,373	30,448	32,794	32,269
Bankers' acceptances b.....			1,892	9,682	13,812	9,204	10,379	11,635	13,564	13,086	13,619	16,179	23,013
United States bonds.....	205	2,015	5,406	6,639	6,813	6,947	7,601	7,923	8,886	9,328	10,505	12,919	15,797
Municipal warrants.....	784	11,165	12,011	14,940	18,656	26,094	11,509	16,107	25,808	24,945	26,014	27,308	12,220
Federal Reserve notes, net assets.....	5,418	3,179	3,215	6,091	6,909	7,765	9,124	11,029	12,491	14,866	19,723	19,176	21,910
Due from other Federal Reserve Banks, net.....	7,980	7,421	8,068	5,573	9,468	7,435	8,311	7,078	6,990	7,409	8,533	14,083	20,767
All other resources.....	5,631	7,712	4,550	3,019	4,425	5,426	5,501	5,904	4,962	3,577	3,645	4,683	6,547
Total resources.....	285,774	302,234	331,733	333,211	347,603	360,247	381,456	377,052	389,983	417,700	429,951	485,342	491,110

Combined resources and liabilities of all Federal Reserve Banks as at close of business on the last Friday of each month during 1915—Continued.

LIABILITIES.

	Dec. 31, 1914.	Jan. 29, 1915.	Feb. 26, 1915.	Mar. 26, 1915.	Apr. 30, 1915.	May 28, 1915.	June 25, 1915.	July 30, 1915.	Aug. 27, 1915.	Sept. 24, 1915.	Oct. 29, 1915.	Nov. 26, 1915.	Dec. 30, 1915.
Capital paid in.....	18,051	20,440	36,069	36,105	39,669	54,158	54,200	54,181	54,689	54,748	54,838	54,846	54,915
Government deposits.....										15,000	15,000	15,000	15,000
Reserve deposits, net.....	283,948	279,516	290,336	288,217	294,832	292,060	311,349	306,183	316,969	329,941	343,554	397,952	400,012
Federal Reserve notes, net liability.....	3,775	2,278	5,328	8,889	11,038	10,921	12,617	14,965	16,738	15,348	13,918	13,385	13,486
All other liabilities.....					2,064	3,118	3,290	1,728	1,567	2,663	2,641	4,189	7,097
Total liabilities.....	285,774	302,234	331,733	333,211	347,603	360,247	381,456	377,052	389,983	417,700	429,951	485,342	491,110

(e) MATURITIES OF BILLS ON HAND.

[In thousands of dollars.]

	Dec. 3, 1914.	Jan. 29, 1915.	Feb. 26, 1915.	Mar. 26, 1915.	Apr. 30, 1915.	May 28, 1915.	June 25, 1915.	July 30, 1915.	Aug. 27, 1915.	Sept. 24, 1915.	Oct. 29, 1915.	Nov. 26, 1915.	Dec. 30, 1915.
Maturities.													
Within 10 days.....	4,633	6,331	7,656	9,715	16,738	12,907	14,333	12,065	4,445	7,487	6,939	6,164	6,467
Over 10 but within 30 days.....			7,102	14,514	12,058	12,423	10,070	13,639	10,658	11,967	10,595	11,129	14,278
Over 30 but within 60 days.....	3,531	4,903	5,711	7,454	7,760	8,621	11,973	11,774	17,209	15,541	15,940	18,325	16,539
Over 60 but within 90 days.....	1,746	2,721	5,711	7,454	7,760	8,621	11,973	11,774	8,582	8,173	8,462	9,634	12,606
Over 90 days.....								3,240	1,945	1,213	2,102	3,831	4,081
Total.....	9,909	13,955	20,469	31,683	36,566	33,951	38,375	40,727	42,839	44,431	44,067	48,973	55,381

Commercial paper, exclusive of acceptances, held by each Federal Reserve Bank on Dec. 30, 1915, distributed by maturities.

[In thousands of dollars.]

MATURITIES.

	Within 10 days.	From 11 to 30 days.	From 31 to 60 days.	From 61 to 90 days.	Over 90 days.	Total.	Per cent.
Boston.....	58	66	92	19	.....	235	0.7
New York.....	37	99	82	19	.....	237	.7
Philadelphia.....	41	65	37	18	11	172	.5
Cleveland.....	169	100	170	68	32	539	1.7
Richmond.....	1,029	2,718	2,753	933	74	7,507	23.2
Atlanta.....	1,132	1,973	2,722	1,273	1,031	8,131	25.1
Chicago.....	487	1,235	876	720	687	4,005	12.4
St. Louis.....	250	393	374	133	105	1,255	3.9
Minneapolis.....	217	164	196	212	510	1,299	4.0
Kansas City.....	630	1,056	841	521	533	3,581	11.1
Dallas.....	1,093	1,056	1,079	694	1,035	4,957	15.3
San Francisco.....	86	87	130	84	63	460	1.4
Total.....	5,229	9,012	9,352	4,694	4,081	32,368	100.0
Per cent.....	16.2	27.8	28.9	14.5	12.6	100.0	.....

Bankers' acceptances held by each Federal Reserve Bank on Dec. 30, 1915, distributed by maturities.

[In thousands of dollars.]

MATURITIES.

	Within 10 days.	From 11 to 30 days.	From 31 to 60 days.	From 61 to 90 days.	Over 90 days.	Total.	Per cent.
Boston ¹	285	1,338	2,559	2,311	.....	6,493	28.2
New York.....	748	1,977	1,844	4,146	.....	8,715	37.9
Philadelphia.....	73	591	1,107	772	.....	2,543	11.0
Cleveland.....	10	235	257	302	.....	804	3.5
Richmond.....	.....	.....	.....	150	.....	150	.6
Atlanta.....	.....	7	19	46	.....	72	.3
Chicago.....	25	451	905	605	.....	2,016	8.8
St. Louis.....	29	183	239	210	.....	661	2.9
Minneapolis.....	14	160	173	131	.....	478	2.1
Kansas City.....	22	105	150	152	.....	429	1.9
Dallas.....	.....	.....	.....	.....	.....	.....	.....
San Francisco.....	30	188	256	178	.....	652	2.8
Total.....	1,236	5,265	7,509	9,603	.....	23,613	.....
Per cent.....	5.4	22.9	32.6	39.1	.....	.....	.....

¹ Includes \$3,000 of trade acceptances bought in the open

Short-term investments (municipal warrants) held by each Federal Reserve Bank on Dec. 30, 1915, distributed by maturities.

[In thousands of dollars.]

MATURITIES.

	Within 10 days.	From 11 to 30 days.	From 31 to 60 days.	From 61 to 90 days.	Over 90 days.	Total.	Per cent.
Boston.....	227	92	302	630	1,790	3,041	24.9
New York.....	90	267	385	90	437	1,269	10.4
Philadelphia.....	97	40	920	173	306	1,536	12.6
Cleveland.....	79	352	353	39	1,993	2,946	23.3
Richmond.....			82			82	.7
Atlanta.....			330			330	2.7
Chicago.....	196	55	206	82	715	1,254	10.3
St. Louis.....	10	12	189	26	55	292	2.4
Minneapolis.....		10	165	625	61	861	7.0
Kansas City.....	10	55	168	20	35	268	2.3
Dallas.....			72			72	.6
San Francisco.....	10	24	137	76	98	345	2.8
Total.....	721	907	3,339	1,761	5,492	12,220	100.0
Per cent.....	5.9	7.4	27.3	14.4	45.0	100.0	.....

Amounts of bankers' acceptances, distributed by classes of acceptors, held by all Federal Reserve Banks, according to schedules on file with the Federal Reserve Board on the last Monday of each month in 1915.

	Member bank ac- ceptances.	Nonmember bank acceptances.			Total.
		Trust com- panies.	State banks.	Private banks.	
Feb. 22.....	93				93
Mar. 31.....	3,075	7,734	10	87	10,906
Apr. 26.....	4,563	8,848	10	110	13,561
May 31.....	5,294	3,774	10	110	9,188
June 28.....	4,211	4,801		161	9,173
July 26.....	5,165	4,832	20	367	10,384
Aug. 30.....	6,274	6,599	20	457	13,350
Sept. 27.....	7,281	5,314	74	408	13,077
Oct. 26.....	8,109	4,419	193	237	12,958
Nov. 20.....	10,903	4,549	275	396	16,122
Dec. 27.....	13,790	5,697	292	820	20,599

United States bonds held by each Federal Reserve Bank on Dec. 31, 1915, distributed by classes.

Banks.	2 per cent.	3 per cent.	4 per cent.	Total.
Boston.....	\$1,000,000	.....	.....	\$1,000,000
New York.....	.....	.....	.....	.....
Philadelphia.....	2,000,000	.....	.....	2,000,000
Cleveland.....	400,000	\$1,187,000	\$770,000	2,357,000
Richmond.....	.....	.....	.....	.....
Atlanta.....	.....	.....	.....	.....
Chicago.....	2,525,000	1,706,000	.....	4,231,000
St. Louis.....	970,000	.....	.....	970,000
Minneapolis.....	1,025,000	303,820	.....	1,328,820
Kansas City.....	2,151,350	300	.....	2,151,650
Dallas.....	870,000	.....	.....	870,000
San Francisco.....	1,010,000	.....	.....	1,010,000
Total.....	11,951,350	3,197,120	770,000	15,918,470

Short-term investments (municipal warrants) held by each Federal Reserve Bank on Dec. 31, 1915, distributed by classes.

[In thousands of dollars.]

	City warrants.	State warrants.	All other warrants.	Total.
Boston.....	2,274	382	485	3,141
New York.....	882	138	179	1,199
Philadelphia.....	1,304	77	103	1,484
Cleveland.....	2,634	69	143	2,846
Richmond.....	.....	82	.....	82
Atlanta.....	.....	325	5	330
Chicago.....	672	56	528	1,256
St. Louis.....	170	76	96	342
Minneapolis.....	300	568	43	911
Kansas City.....	210	78	.....	288
Dallas.....	.....	76	.....	76
San Francisco.....	246	74	25	345
Total.....	8,692	2,001	1,607	12,300
Percent.....	70.7	16.3	13.0	100.0

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915.

RESOURCES.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column, representing consolidated figures of weekly statement, printed in italics.]

	Boston.		New York.		Philadelphia.	
Gold bullion and United States coin.....	\$4,000.00		\$1,447.50		\$55,405.00	
United States gold certificates (including clearing-house certificates)	14,082,220.00		168,983,400.00		6,384,280.00	
<i>Gold coin and certificates in vault.....</i>	<i>\$14,087,220.00</i>		<i>\$168,983,400.00</i>		<i>\$6,384,280.00</i>	
<i>Gold settlement fund.....</i>	<i>4,279,000.00</i>		<i>6,717,000.00</i>		<i>8,695,000.00</i>	
<i>Gold redemption fund with United States Treasurer.....</i>	<i>5,500.00</i>		<i>55,000.00</i>		<i>55,000.00</i>	
<i>Total gold reserve.....</i>	<i>18,381,780.00</i>		<i>175,785,987.50</i>		<i>15,154,685.00</i>	
Legal tender notes.....	216,405.00		6,194,410.00		1,832,380.00	
United States silver certificates.....	145,104.00		1,312,241.00		1,264,880.00	
United States silver coin.....			406.05		339.10	
<i>Legal tender notes, silver, etc.....</i>	<i>361,509.00</i>		<i>7,477,057.05</i>		<i>5,097,599.10</i>	
<i>Total reserve.....</i>	<i>18,743,289.00</i>		<i>183,813,994.55</i>		<i>18,252,864.10</i>	
Commodity paper.....						
Trade acceptances.....						
Commercial paper n. s.....	235,471.40		237,572.08		172,146.06	
Bankers' acceptances.....	6,492,578.20		8,714,697.71		2,542,975.94	
<i>Total bills discounted and bought.....</i>	<i>6,728,049.60</i>		<i>8,952,269.79</i>		<i>2,715,122.00</i>	
<i>United States bonds.....</i>	<i>986,250.00</i>		<i>986,250.00</i>		<i>1,973,247.50</i>	
<i>Investments (municipal warrants).....</i>	<i>3,041,004.95</i>		<i>1,268,975.55</i>		<i>1,537,814.03</i>	
<i>Federal Reserve notes on hand.....</i>	<i>708,095.00</i>		<i>16,016,710.00</i>		<i>401,387.50</i>	
<i>Less liability on Federal Reserve notes.....</i>	<i>709,095.00</i>		<i>140,000.00</i>		<i>401,387.50</i>	
<i>Federal Reserve notes—Net.....</i>	<i>0.00</i>		<i>0.00</i>		<i>0.00</i>	
<i>Due from other Federal Reserve Banks.....</i>	<i>2,724,886.03</i>		<i>15,876,710.00</i>		<i>401,387.50</i>	
<i>Less due to other Federal Reserve Banks.....</i>	<i>1,096,318.50</i>		<i>0.00</i>		<i>4,254,613.76</i>	
<i>Due from other Federal Reserve Banks—net.....</i>	<i>1,628,567.53</i>		<i>15,876,710.00</i>		<i>586,999.14</i>	
						<i>5,087,944.03</i>

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915.—Continued.

RESOURCES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column, representing consolidated figures of weekly statement, printed in italics.]

	Cleveland.		Richmond.		Atlanta.	
Gold bullion and United States coin.....	\$1,504,410.00		\$478,220.00		\$1,421,189.90	
United States gold certificates (including clearing-house certificates).....	8,054,900.00		4,744,900.00		3,451,000.00	
Gold coin and certificates in vault.....	89,669,510.00				84,872,189.90	
Gold settlement fund.....	11,042,000.00	11,042,000.00	9,875,000.00	9,875,000.00	3,717,000.00	5,717,000.00
Gold redemption fund with United States Treasurer.....			333,500.00	333,500.00	307,512.96	307,512.96
<i>Total gold reserve.....</i>		<i>20,801,510.00</i>		<i>15,451,620.00</i>		<i>8,896,702.86</i>
Legal tender notes.....	1,019,260.00		44,760.00		34,650.00	
United States silver certificates.....	188,642.00		21,168.00		126,973.00	
United States silver coin.....	4,068.25		1,201.55		23,405.75	
Legal tender notes, silver, etc.....		<i>1,811,000.25</i>		<i>67,117.55</i>		<i>185,038.75</i>
<i>Total reserve.....</i>		<i>21,812,510.25</i>		<i>15,468,737.55</i>		<i>9,081,731.01</i>
Commodity paper.....			2,406,341.51		4,836,925.90	
Trade acceptances.....			216,655.29		183,319.53	
Commercial paper n. s.....	539,105.09		4,883,726.44		3,111,149.70	
Bankers' acceptances.....	803,724.54		150,000.00		71,665.22	
<i>Total bills discounted and bought.....</i>		<i>1,342,830.63</i>		<i>7,666,796.24</i>		<i>8,203,060.25</i>
United States bonds.....	2,357,000.00	2,357,000.00				
Investments (municipal warrants).....	2,946,067.50	2,946,067.50	82,271.76	82,271.76	330,177.68	330,177.68
Federal Reserve notes on hand.....	201,820.00					
Less liability on Federal Reserve notes.....						
<i>Federal Reserve notes—Net.....</i>		<i>801,880.00</i>				
Due from other Federal Reserve Banks.....	2,368,492.66		2,076,777.19		816,975.20	
Less due to other Federal Reserve Banks.....	166,056.24		918,785.51		200,490.63	
<i>Due from other Federal Reserve Banks—Net.....</i>		<i>2,202,436.42</i>		<i>1,157,991.67</i>		<i>616,484.57</i>

All other resources:					
Difference account.....	11,817.19				
Interest accrued on investments.....	88,025.00				
National bank notes and Federal Reserve notes of other banks.....		108,190.00			987,500.00
Nickels and cents.....	.67				
Commissions paid.....	1,410.37				
Expenses paid in advance.....	2,283.42				
Furniture and equipment.....	20,187.08				
Expense—Current.....	136,883.20				
Expense—Organization.....	37,377.86				
Cost of unissued notes.....	42,757.61				
Due from other Federal Reserve Banks—Account investments.....					
Redemption account (mutilated currency).....					118,000.00
Premium and discount.....	91,990.94				
Bank premises.....					
Sundry debits.....					
Profit and loss.....					
Total of all other resources—Gross.....	432,732.94	108,190.00			986,500.00
Less liability for:					
Unearned discount.....	4,711.37				
Unearned interest on investments.....	17,082.85				
Discount, earned.....	42,092.83				
Interest on investments, earned.....	71,261.94				
Sundry profits.....	823.88				
Reserved for Federal income tax.....	171.76				
Difference account.....					
Premium and discount.....	2,312.50				
Exchange.....					
Provision for disbursements.....	5,268.29				
Profit and loss.....					
Total deductions.....	144,315.12				
All other resources—Net.....	288,417.82		108,190.00		986,500.00
Total resources.....	31,180,870.68		24,498,907.88		19,816,983.41

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915—Continued.

RESOURCES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Chicago.	St. Louis.	Minneapolis.
Gold bullion and United States coin.....	\$2,540,007.50	\$2,987,000.00	\$400,008.00
United States gold certificates (including clearing-house certificates).....	32,622,340.00	.....	2,280,650.00
Gold coin and certificates in vault.....	\$35,168,347.50	\$2,987,000.00	\$1,689,658.00
Gold settlement fund.....	1,256,000.00	6,072,000.00	4,355,000.00
Gold redemption fund with United States Treasurer.....	.....	25,060.00	30,000.00
<i>Total gold reserve.....</i>	<i>36,418,347.50</i>	<i>9,064,060.00</i>	<i>7,064,658.00</i>
Legal-tender notes.....	239,350.00	65,000.00	14,620.00
United States silver certificates.....	360,777.00	28,431.00	5,085.00
United States silver coin.....	10.00	.....	.....
Legal tender notes, silver, etc.....	630,137.00	93,431.00	19,655.00
<i>Total reserve.....</i>	<i>37,048,484.50</i>	<i>9,167,481.00</i>	<i>7,104,313.00</i>
Commodity paper.....	.....	66,400.00	19,000.00
Trade acceptances.....	.....	91,758.08	.....
Commercial paper n. s.....	4,005,380.06	1,096,762.08	1,280,485.50
Bankers' acceptances.....	2,015,664.20	661,230.23	477,808.40
<i>Total bills discounted and bought.....</i>	<i>6,081,044.26</i>	<i>1,916,180.39</i>	<i>1,777,293.90</i>
United States bonds.....	4,218,000.00	970,000.00	1,303,820.00
Investments (municipal securities).....	1,255,737.27	291,552.00	1,303,820.00
Federal Reserve notes on hand.....	1,694,640.00	891,622.60	860,513.28
Less liability on Federal Reserve notes.....	.....	317,460.00	817,775.00
<i>Federal Reserve notes—Net.....</i>	<i>1,694,640.00</i>	<i>817,460.00</i>	<i>817,775.00</i>
Due from other Federal Reserve Banks.....	11,094,607.36	2,997,558.12	4,461,867.11
Less due to other Federal Reserve Banks.....	1,208,043.40	1,630,527.91	22,603.72
<i>Due from other Federal Reserve Banks—Net.....</i>	<i>9,886,563.96</i>	<i>1,367,030.21</i>	<i>4,439,263.39</i>
All other resources:			
Difference account.....	.....	.....	.....
Interest accrued on investments.....	19,715.46	4,797.57	6,339.17

National bank notes and Federal Reserve notes of other banks.....	208,300.00	582,855.00		2,855.00
Nickels and cents.....	2.50	27.77		70.87
Commissions paid.....		770.85		787.88
Expenses paid in advance.....				
Furniture and equipment.....	26,210.18	20,340.13		64,133.14
Expense—Current.....	91,006.63	154,544.62		57,223.94
Expense—Organization.....	23,821.47	15,702.85		21,733.04
Cost of unissued notes.....	65,708.94	34,483.46		38,634.12
Due from other Federal Reserve Banks account investments.....				
Redemption account (mutilated currency).....				
Premium and discount.....				
Bank premises.....				
Sundry debits.....	746.69			
Profit and loss.....				
Total of all other resources—Gross.....	431,204.96	813,028.25		181,793.16
Less liability for:				
Unearned discount.....	32,322.49	7,306.16		13,546.00
Unearned interest on investments.....	8,825.43	1,048.35		5,042.71
Discount, earned.....	58,652.96	60,505.99		42,729.80
Interest on investments, earned.....	73,443.29	23,731.98		21,440.00
Sundry profits.....	170.64	3,046.61		4,073.11
Reserve for Federal income tax.....	310.00	277.77		
Difference account.....	7.12			
Premium and discount.....	8,177.70	17,565.64		7,521.64
Exchange.....	11,753.36			
Provision for disbursements.....	416.88	426.47		15.83
Profit and loss.....				
Total deductions.....	193,076.87	113,908.97		94,396.19
All other resources—Net.....		533,125.09		87,453.97
Total resources.....		60,899,605.08		16,390,400.54

Statement showing condition of each Federal Reserve Bank and of the system at close of business on December 30, 1915—Continued.

RESOURCES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Kansas City.		Dallas.		San Francisco.		Total.
Gold bullion and United States coin.....	\$3,833,700.00		\$234,330.00		\$1,503,650.00		\$12,045,367.90
United States gold certificates (including clearing-house certificates).....	4,546,640.00		3,740,400.00		2,701,280.00		254,500,100.00
Gold coin and certificates in vault.....		\$3,330,340.00		\$3,974,730.00		\$4,804,880.00	\$368,545,467.90
Gold settlement fund.....	2,464,000.00	\$464,000.00	8,941,000.00	\$,941,000.00	9,880,000.00	9,880,000.00	77,263,000.00
Gold redemption fund with United States Treasurer.....	107,000.00	107,000.00	259,800.00	\$59,800.00			1,123,362.36
<i>Total gold reserve.</i>		10,961,340.00		13,175,830.00		14,084,880.00	1,183,893.36
Legal-tender notes.....	71,260.00		53,050.00		2,260.00		9,756,395.00
United States silver certificates.....	42,808.00		63,000.00		2,470.00		3,690,535.00
United States silver coin.....	5,800.00		144,496.95		25.35		179,423.00
Legal-tender notes, silver, etc.....		119,563.00		\$59,496.95		4,764.35	13,696,354.00
<i>Total reserve.</i>		11,070,903.00		13,435,016.95		14,089,694.35	\$38,488,184.36
Commodity paper.....			214,000.00				7,542,667.31
Trade acceptances.....	83,379.22		96,000.00		16,833.70		687,945.82
Commercial paper, n. s.....	3,498,201.76		4,647,460.53		433,236.53		24,140,711.22
Bankers' acceptances.....	428,872.29				652,254.93		23,011,469.66
<i>Total bills discounted and bought.</i>		4,010,363.27		4,967,460.53		1,109,386.16	\$5,383,694.01
United States bonds.....	2,119,231.95	\$,119,231.95	870,000.00	\$70,000.00	1,000,475.00	1,000,475.00	15,798,014.45
Investments (municipal warrants).....	283,015.84	\$83,015.84	71,888.16	71,888.16	344,978.13	344,978.13	12,219,997.25
Federal Reserve notes on hand.....					1,300,980.00		22,049,367.50
Less liability on Federal Reserve notes.....							140,000.00
<i>Federal Reserve notes—Net.</i>						1,300,980.00	\$1,900,867.50
Due from other Federal Reserve Banks.....	572,274.77		339,676.10		3,491,304.32		35,189,032.61
Less due to other Federal Reserve Banks.....	425,022.78		190,820.32		6,293.31		6,411,944.55
<i>Due from other Federal Reserve Banks—Net.</i>		147,251.99		168,855.78		3,485,011.01	180,766,791.50
All other resources:							
Difference account.....							15.00
Interest accrued on investments.....	8,952.83		449.22		5,000.00		80,670.89

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915—Continued.

LIABILITIES.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Boston.	New York.	Philadelphia.
Capital.....	\$5,158,150.00	\$11,065,200.00	\$5,269,600.00
Capital—suspense account.....		7,960.00	
Capital paid in		<i>\$11,065,160.00</i>	<i>\$5,869,600.00</i>
Government deposits.....			
Reserve deposits:			
Due to member banks.....	27,243,543.90	181,799,307.21	25,783,564.88
Due to member banks—transit.....			
Due to Reserve city clearing-house banks.....			
Transit account.....	1,315.70	44.35	
Return item checks.....		2,113,342.26	107.63
Cashiers' checks.....	10,787.66	13,198.53	
Expense checks.....			
Total reserve deposits—gross.....	27,255,647.26	183,925,892.40	25,783,672.51
Less:			
Exchanges for clearing house.....	115,413.83	694,711.57	1,577,487.57
Checks and other cash items.....	15.00	1,408.03	
Dues from member banks—overdrafts.....	30,833.42	22,648.96	21,554.67
Due from banks and bankers.....			
Due from Reserve city clearing-house banks.....			
Deferred credits.....	1,315.70		
Total deductions.....	147,577.95	718,780.55	1,599,042.24
Reserve deposits—net.....	<i>\$7,108,069.31</i>	<i>183,207,111.85</i>	<i>\$4,184,630.27</i>
Due to other Federal Reserve Banks.....		11,266,607.05	
Less due from other Federal Reserve Banks.....		3,256,010.29	

<i>Due to other Federal Reserve Banks—net</i>				\$,010,698.76	
Federal Reserve note liability.....					
Less Federal Reserve notes on hand.....					
<i>Federal Reserve notes—net</i>					
All other liabilities:					
<i>Due to other Federal Reserve Banks—investment account.</i>					
Unearned discount.....			7,472,315.12		
Unearned interest on investments.....					
Discount, earned.....					
Interest on investments, earned.....					
Sundry profits.....					
Provision for disbursements.....					
Profit and loss.....					
Total all other liabilities—gross.....			7,472,315.12		
Less:					
Furniture and equipment.....					
Expense—current.....					
Expense—organization.....					
Cost of unissued Federal Reserve notes.....					
Nickels and cents.....					
Total deductions.....					
<i>Other liabilities—net.</i>				7,472,315.12	
<i>Capital.</i>					
			52,266,219.31	900,763,184.73	
					\$9,464,880.17

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915—Continued.

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Cleveland.		Richmond.		Atlanta.
Capital.....	\$5,941,150.00		\$3,353,800.00		\$2,422,400.00
Capital—suspense account.....					
Capital paid in.....		\$5,941,150.00		\$3,353,800.00	\$2,422,400.00
Government deposits.....			5,000,000.00	5,000,000.00	5,000,000.00
Reserve deposits:					
Due to member banks.....	25,204,505.81		10,901,417.15		8,404,281.97
Due to member banks—transit.....					
Due to reserve city clearing-house banks.....					
Transit account.....					
Return item checks.....					
Cashiers' checks.....	5,133.81		9,744.46		97,280.71
Expense checks.....					
Total reserve deposits—gross.....	25,209,739.62		10,911,161.61		8,501,512.68
Less:					
Exchanges for clearing house.....					
Checks and other cash items.....			2,522.79		74,439.16
Due from member banks—overdrafts.....			596.92		42,746.73
Due from banks and bankers.....			51,976.38		103,077.12
Due from reserve city clearing-house banks.....					44,838.76
Deferred credits.....					
Total deductions.....			55,096.07		265,101.77
Reserve deposits—net.....					
Due to other Federal Reserve Banks.....		\$5,809,749.68		10,886,065.54	8,889,410.91
Less due from other Federal Reserve Banks.....					

<i>Due to other Federal Reserve Banks—not</i>							
Federal Reserve note liability.....			6,060,000.00			4,750,000.00	
Less Federal Reserve notes on hand.....			813,650.00			1,264,250.00	
<i>Federal Reserve notes—not</i>						5,386,250.00	
All other liabilities:							5,455,750.00
Due to other Federal Reserve Banks—investment account.....							
Unearned discount.....			27,132.71			34,966.04	
Unearned interest on investments.....			212.54			877.42	
Reserve discount, earned.....			798.69			229,273.83	
Interest on investments, earned.....						1,513.48	
Sundry profits.....						4,839.06	
Provision for disbursements.....						313.54	
Profit and loss.....			91,943.55				
Total all other liabilities—gross.....			120,092.49			271,773.39	
Less:							
Furniture and equipment.....			9,500.00			8,545.68	
Expense—Current.....			55,473.59			103,025.70	
Expense—Organization.....			15,088.00			23,597.22	
Cost of unissued Federal Reserve notes.....			17,308.34			34,058.68	
Nickels and cents.....			.88			153.61	
Total deductions.....			97,400.81			169,380.89	
All other liabilities—net.....						22,691.68	102,392.50
Total liabilities.....			31,160,872.63			24,498,907.22	19,316,953.41

Statement showing condition of each Federal Reserve Bank and of the system at close of business on December 30, 1915—Continued.

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Chicago.		St. Louis.		Minneapolis.	
Capital.....	\$6,644,800.00	.....	\$2,781,000.00	.....	\$2,546,550.00	.....
Capital—suspense account.....	.....	.....	.....	.....	300.00	.....
Capital paid in.....	.....	.....	.....	.....	.....	.....
Government deposits.....	\$6,644,800.00	.....	.....	.....	.....	.....
Reserve deposits:	.....	.....	.....	.....	.....	.....
Due to member banks.....	53,540,872.32	.....	12,124,877.10	.....	13,843,550.54	.....
Due to member banks—transit.....	286,649.10	.....	.....	.....	.....	.....
Due to reserve city clearing-house banks.....	.....	.....	.....	.....	.....	.....
Transit account.....	.....	.....	.....	.....	.....	.....
Return item checks.....	1,193.13	.....	.....	.....	.....	.....
Cashiers' checks.....	49,992.50	.....	247,734.29	.....	.....	.....
Expense checks.....	60.15	.....	.....	.....	.....	.....
Total reserve deposits—gross.....	53,858,867.20	.....	12,372,611.39	.....	13,843,550.54	.....
Less:	.....	.....	.....	.....	.....	.....
Exchanges for clearing house.....	.....	.....	.....	.....	.....	.....
Checks and other cash items.....	79,194.97	.....	30.63	.....	.....	.....
Due from member banks—overdrafts.....	61,667.15	.....	36,666.27	.....	.....	.....
Due from banks and bankers.....	.....	.....	.....	.....	.....	.....
Due from reserve city clearing-house banks.....	.....	.....	.....	.....	.....	.....
Deferred credits.....	.....	.....	.....	.....	.....	.....
Total deductions.....	140,862.12	.....	35,696.90	.....	.....	.....
Reserve deposits—net.....	.....	.....	.....	.....	.....	.....
Due to other Federal Reserve Banks.....	.....	53,718,005.08	.....	12,336,914.49	.....	13,843,550.54
Less due from other Federal Reserve Banks.....	.....	.....	.....	.....	.....	.....

<i>Due to other Federal Reserve Banks—net.</i>					
Federal Reserve note liability					
Less Federal Reserve notes on hand					
<i>Federal Reserve notes—net.</i>					
All other liabilities:					
Due to other Federal Reserve Banks—Investment account					
Unearned discount					
Unearned interest on investments					
Discount earned					
Interest on investments, earned					
Sundry profits					
Provision for disbursements					
Profit and loss					
Total all other liabilities—gross					
and equipment					
current					
organization					
issued Federal Reserve notes					
cents					
uctions					
ities—net					
liabilities					
				15,218,793.48	16,390,400.64
			60,302,605.08		

(Shown among all other liabilities in weekly statement.

Statement showing condition of each Federal Reserve Bank and of the system at close of business on December 30, 1915—Continued.

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Kansas City.		Dallas.		San Francisco.		Total.
Capital.....	\$3,037,800.00		\$2,752,816.67		\$3,941,800.00		\$54,904,866.67
Capital—expense account.....							8,250.00
Capital paid in.....		\$3,037,800.00		\$2,752,816.67		\$3,941,800.00	<i>\$54,915,116.67</i>
Government deposits.....			5,000,000.00	5,000,000.00			15,100,878.99
Reserve deposits:							
Due to member banks.....	14,359,046.26		9,783,298.47		17,539,455.88		400,527,909.49
Due to member banks—transit.....							298,648.10
Due to reserve city clearing-house banks.....			21,500.00				21,500.00
Transit account.....					15,508.35		16,824.05
Return item checks.....							1,237.48
Cashiers' checks.....	4,387.76		9,476.80				2,547,937.88
Expense checks.....					6,928.16		20,186.89
Total reserve deposits—gross.....	14,363,434.02		9,814,273.27		17,561,892.39		403,402,244.86
Less:							
Exchanges for clearing-house.....	148,193.23				51,001.87		2,742,964.99
Checks and other cash items.....	344.04		268.99				45,431.34
Due from member banks—overdrafts.....	33,998.16						361,422.10
Due from banks and bankers.....			17,276.07				62,114.83
Due from reserve city clearing-house banks.....			151,000.00				151,000.00
Deferred credits.....					26,084.91		27,400.61
Total deductions.....	182,535.43		169,565.06		77,086.78		3,390,533.57
Reserve deposits—net.....		14,180,898.59		9,644,708.21		17,484,806.61	<i>400,011,911.08</i>
Due to other Federal Reserve Banks.....							11,296,607.05

Less due from other Federal Reserve Banks.....						3,256,010.29
<i>Due to other Federal Reserve Banks—net</i>						
Federal Reserve note liability.....	2,000,000.00	3,706,000.00				16,536,000.00
Less Federal Reserve notes on hand.....	521,505.00	419,015.00				3,043,420.00
<i>Federal Reserve notes—net</i>					5,885,885.00	
All other liabilities:						
Due to other Federal Reserve Banks—investments account.....						
Unearned discount.....						7,472,315.12
Unearned interest on investments.....						62,098.75
Discount earned.....						1,069.96
Interest on investments, earned.....						230,072.52
Sundry profits.....						1,513.48
Provision for disbursements.....						4,829.06
Profit and loss.....						313.54
						91,948.55
Total all other liabilities—gross						7,864,181.00
Less:						
Furniture and equipment.....						18,045.68
Expense—current.....						158,499.29
Expense—organization.....						38,655.22
Cost of unissued Federal Reserve notes.....						51,427.02
Nickels and cents.....						154.49
Total deductions from all other liabilities—gross						266,781.70
All other liabilities—net						17,697,399.30
Total liabilities					\$1,496,605.61	491,109,885.98

13,486,480.60

¹ Difference between above amount and corresponding amount shown in weekly statement—\$100,573.99—represents the amount of Government deposits shown separately in above statement, but included among other liabilities in the weekly statement.

Exhibit D.—DISCOUNT AND OTHER INVESTMENT OPERATIONS OF FEDERAL RESERVE BANKS.

Amounts of commercial paper, exclusive of acceptances, discounted by the several Federal Reserve Banks during each month from Nov. 16, 1914, to Dec. 31, 1915, and total amounts discounted during 1914 and 1915.

PAPER MATURING WITHIN 30 DAYS.

[In thousands of dollars.]

Federal Reserve Bank.	1914					1915											Total since Nov. 16, 1914.	Per cent.
	Novem-ber.	Decem-ber.	Total in 1914.	Jan-uary.	Feb-ruary.	March.	April.	May.	June.	July.	August.	Sep-tember.	Octo-ber.	Novem-ber.	Decem-ber.	Total in 1915.		
Boston.....	15.1	181.4	196.5	103.0	102.0	86.8	153.4	52.5	162.6	59.7	19.2	28.0	5.0	72.9	67.8	911.9	1,108.4	2.9
New York.....	2,509.9	1,555.6	4,065.5	1,204.9	873.6	6.7	54.2	26.3	36.8	68.7	2.9	28.4	36.9	60.7	22.7	2,425.8	6,492.3	16.7
Philadelphia.....	908.1	642.9	1,551.0	173.9	321.3	375.9	46.0	76.7	210.3	225.6	701.2	283.9	216.5	74.6	65.2	2,774.1	4,826.1	11.1
Cleveland.....	41.1	224.1	265.2	30.1	208.5	104.7	66.4	109.1	183.0	192.0	30.0	120.3	87.3	58.9	26.9	1,215.2	1,480.4	3.8
Richmond.....	46.7	530.1	576.8	1,004.4	573.1	302.5	363.3	546.8	637.9	580.3	462.6	420.6	534.0	562.7	553.8	6,549.0	7,128.8	18.3
Atlanta.....	1.1	257.8	258.9	362.6	354.1	340.6	174.1	173.9	196.5	175.3	218.9	186.6	258.0	502.1	268.0	3,238.7	3,497.6	9.0
Chicago.....	2,143.5	391.1	2,534.6	54.7	34.1	149.4	23.5	44.6	55.7	93.2	28.6	32.4	49.9	90.6	930.2	1,894.9	4,119.5	10.6
St. Louis.....	985.1	149.5	1,134.6	314.9	26.9	48.6	30.3	41.0	52.3	64.8	41.1	77.0	145.9	259.1	123.8	1,228.7	2,363.3	6.1
Minneapolis.....	200.0	355.7	555.7	7.1	38.7	70.9	11.3	42.8	46.0	29.5	42.6	50.9	60.4	64.7	46.1	511.0	1,066.7	2.7
Kansas City.....	402.6	3.2	405.8	55.8	130.7	69.0	108.0	20.5	21.6	107.3	83.2	307.9	268.7	731.9	483.8	2,363.4	2,769.2	7.1
Dallas.....	47.0	172.6	220.6	174.9	221.8	140.8	180.9	118.0	103.5	14.8	31.3	224.0	459.9	254.6	210.5	1,572.0	2,352.6	6.1
San Francisco.....	2.0	608.5	610.5	623.0	67.7	105.7	27.6	374.3	101.1	104.7	40.7	71.9	40.9	.....	16.9	1,574.5	2,185.0	5.6
Total.....	7,306.2	5,074.5	12,380.7	4,109.3	2,967.5	1,768.6	1,239.0	1,631.5	1,810.3	1,715.9	1,700.3	1,899.9	2,160.4	2,730.8	2,895.7	26,506.2	38,899.9	100.0
Per cent.....	18.8	12.9	31.8	10.6	7.6	4.6	3.2	4.2	4.7	4.4	4.4	4.7	5.5	7.0	7.3	68.2	100.0	.....

PAPER MATURING AFTER 30 DAYS BUT WITHIN 60 DAYS.

Boston.....	10.5	43.3	53.8	11.6	21.5	65.0	131.1	99.2	143.2	104.9	8.6	17.9	24.4	58.5	41.3	728.2	787.6	1.2
New York.....	571.3	102.1	672.4	303.2	92.7	83.5	55.2	63.1	82.0	157.6	92.7	42.9	44.2	43.6	60.5	1,171.2	1,844.6	2.9
Philadelphia.....	9.7	73.7	83.4	46.2	144.8	470.7	68.7	170.3	148.0	168.4	44.1	25.2	59.1	33.0	26.4	1,405.9	1,489.3	2.4
Cleveland.....	31.4	180.7	168.1	28.4	266.5	224.0	174.1	157.8	198.7	103.4	174.0	297.6	152.9	184.9	40.3	1,972.6	2,140.7	3.4
Richmond.....	139.7	805.2	945.9	1,078.9	2,001.0	1,785.2	1,121.2	1,151.9	1,294.5	1,762.2	1,937.3	1,848.2	1,476.1	1,783.9	1,503.3	18,703.7	19,049.6	31.2
Atlanta.....	21.9	355.1	377.0	1,389.3	1,264.6	1,274.8	751.7	941.8	726.4	755.1	908.0	1,396.2	977.3	1,335.8	1,367.0	13,097.0	13,474.0	21.4
Chicago.....	557.9	1,253.3	1,511.2	168.2	121.6	227.4	67.5	124.7	151.7	245.4	95.0	276.6	268.6	376.3	544.0	2,697.0	4,478.2	7.1
St. Louis.....	508.1	84.9	593.0	174.8	102.3	70.1	105.6	107.4	113.3	126.7	224.7	284.6	399.5	292.3	217.1	2,228.4	2,821.4	4.5
Minneapolis.....	.....	28.1	28.1	37.8	43.3	101.4	56.3	111.7	103.8	287.6	187.1	135.5	163.5	126.7	98.8	1,445.0	1,468.1	2.3
Kansas City.....	25.7	15.8	42.5	38.0	90.6	87.0	177.6	82.2	162.9	208.3	327.4	544.4	680.4	878.5	632.2	3,930.5	3,973.0	6.3
Dallas.....	47.4	261.0	308.4	226.1	990.6	663.8	690.6	576.3	597.5	368.9	790.7	1,228.6	993.0	1,045.8	517.8	8,632.7	9,991.1	14.2
San Francisco.....	5.5	88.7	95.2	75.0	323.2	262.5	102.3	214.4	183.3	223.9	191.3	94.3	80.4	51.7	32.9	1,835.2	1,930.4	3.1
Total.....	1,929.1	3,250.9	5,180.0	3,627.0	5,421.7	5,267.4	3,500.9	3,800.8	3,905.3	4,512.4	4,990.9	6,180.0	5,327.4	6,242.0	5,071.6	57,837.4	63,017.4	100.0
Per cent.....	3.1	5.1	8.2	5.8	8.6	8.3	5.6	6.0	6.2	7.2	7.9	9.8	8.5	9.9	8.0	91.8	100.0	.....

PAPER MATURING AFTER 60 DAYS BUT WITHIN 90 DAYS.

Boston.....	1.0	43.9	44.9	11.7	15.1	26.4	41.1	30.9	38.3	32.3	41.3	43.9	25.1	39.4	75.1	431.6	465.5	0.8
New York.....	31.6	77.5	109.1	94.2	74.7	93.4	107.0	142.9	160.3	106.3	61.4	215.8	56.1	48.0	47.6	1,211.7	1,220.8	2.2
Philadelphia.....	1.4	65.1	66.5	57.6	59.8	190.4	163.8	110.6	95.5	89.1	42.4	28.5	20.6	41.4	19.0	915.7	985.2	1.6
Cleveland.....	31.3	160.8	207.1	125.4	92.1	123.2	147.3	120.2	50.2	64.0	66.0	45.3	79.8	71.2	53.3	1,033.0	1,293.1	2.0
Richmond.....	99.7	514.4	614.1	650.7	993.9	2,033.1	1,430.7	1,510.4	1,667.3	1,793.9	1,485.7	1,213.4	1,208.2	2,202.8	1,531.5	17,728.6	18,342.7	30.3
Atlanta.....	21.8	448.5	470.3	765.4	1,181.2	1,148.6	760.4	738.7	1,022.7	910.0	1,110.5	1,418.6	1,713.2	2,124.4	1,510.3	14,464.0	14,934.3	24.7
Chicago.....	231.0	625.9	856.9	90.3	94.2	78.7	99.9	116.2	212.8	200.1	80.9	359.3	418.1	329.5	428.0	2,507.0	2,563.9	5.5
St. Louis.....	79.0	99.5	178.5	90.0	178.8	133.4	107.5	134.1	159.3	205.3	213.0	225.4	375.2	250.0	172.2	2,253.2	2,431.7	4.0
Minneapolis.....	.....	30.0	30.0	30.9	24.3	63.2	38.4	41.2	187.3	197.7	150.0	171.8	177.9	107.1	98.1	1,283.9	1,313.9	2.2
Kansas City.....	13.1	38.1	48.2	6.4	89.3	75.0	104.9	58.7	65.5	214.3	234.0	368.5	704.8	634.2	340.4	2,894.0	2,944.2	4.9
Dallas.....	70.6	197.9	268.5	341.8	245.1	876.2	947.9	762.3	956.3	1,113.4	870.2	981.0	663.5	888.3	865.5	9,519.5	9,788.0	16.2
San Francisco.....	5.1	312.3	318.4	101.7	216.4	316.3	227.5	564.9	499.7	367.9	184.7	230.0	228.5	57.9	119.7	3,083.2	3,401.6	5.6
Total.....	585.6	2,620.9	3,206.5	2,865.1	3,265.9	5,162.9	4,166.4	4,331.1	5,137.2	5,294.3	4,820.1	5,306.5	6,571.0	6,791.2	5,240.7	57,322.4	60,628.9	100.0
Per cent.....	1.0	4.3	5.3	3.9	5.4	8.5	6.9	7.1	8.6	8.7	7.5	8.8	9.4	11.2	8.7	94.7	100.0	.....

Amounts of commercial paper, exclusive of acceptances, discounted by the several Federal Reserve Banks during each month from Nov. 16, 1914, to Dec. 31, 1915, and total amounts discounted during 1914 and 1915—Continued.

AGRICULTURAL AND LIVE STOCK PAPER MATURING AFTER 90 DAYS.

[In thousands of dollars.]

	1914				1915												Total since Nov. 16, 1914.	Per cent.
	Novem-ber.	Decem-ber.	Total in 1914.	Jan-uary.	Feb-ruary.	March.	April.	May.	June.	July.	August.	Sep-tember.	Octo-ber.	Novem-ber.	Decem-ber.	Total in 1915.		
Federal Reserve Bank.																		
Boston.....								8.7	3.3	4.8	6.7	1.5				25.0	25.0	0.1
New York.....								3.7	1.4	1.4		1.1				10.9	10.9	.1
Philadelphia.....								7.5			0.3					33.4	33.4	.2
Cleveland.....		0.7	0.7	0.1	0.3	2.1	10.0	44.2	5.3	13.6	6.1	48.1	74.1	15.4	9.6	303.2	344.1	1.7
Richmond.....	4.7	40.2	44.9	68.5	86.7	193.3	251.0	366.7	404.6	217.8	88.0	50.2	41.9	53.5	81.9	1,910.1	1,965.0	9.6
Atlanta.....	2.6	18.7	21.2	160.2	164.9	126.1	181.0	384.4	340.4	150.6	92.3	192.0	517.6	783.4	376.7	3,409.6	3,430.8	13.9
Chicago.....	58.4	148.7	207.1	48.6	46.6	135.5	75.1	161.0	227.9	123.2	103.3	284.8	490.4	464.8	318.6	2,476.8	2,686.9	13.2
St. Louis.....								105.6	76.0	70.0	63.1	23.0	33.0	68.6	56.4	607.3	614.8	3.0
Minneapolis.....	13.4	41.6	55.0	52.3	12.9	28.5	74.0	139.1	457.9	285.5	127.4	72.2	198.5	321.9	196.4	1,965.6	2,021.6	9.9
Kansas City.....	1.3	12.0	13.3	27.1	52.4	46.8	73.4	46.4	83.5	113.4	131.2	117.0	254.8	383.7	354.9	1,665.6	1,668.9	8.4
Dallas.....	47.9	193.5	241.4	193.7	301.8	549.2	832.5	1,028.1	816.8	649.1	352.4	282.9	242.8	447.3	788.1	5,462.7	6,064.1	32.9
San Francisco.....								83.9	86.1	86.0	51.6	43.8	38.9	9.6	63.5	794.8	806.6	4.0
Total.....	128.2	515.6	643.8	611.4	885.2	1,180.8	1,643.0	2,382.3	2,503.2	1,715.4	1,022.4	1,088.6	1,862.0	2,506.7	2,284.0	19,684.0	20,327.8	100.0
Per cent.....	0.6	2.6	3.2	3.0	4.4	5.8	8.1	11.7	12.3	8.4	5.0	5.4	9.3	12.3	11.1	96.8	100.0	.....

Total amounts of commercial paper, exclusive of acceptances, discounted by the several Federal Reserve Banks during each month from Nov. 16, 1914, to Dec. 31, 1915, and aggregate amounts discounted during 1914 and 1915.

[In thousands of dollars.]

Federal Reserve Bank.	1914			1915												Total since Nov. 16, 1914.	Per cent.	
	Novem-ber.	Decem-ber.	Total.	Janu-ary.	Febru-ary.	March.	April.	May.	June.	July.	August.	Sep-tember.	Octo-ber.	Novem-ber.	Decem-ber.			Total in 1915.
Boston.....	26.6	273.6	300.2	126.3	139.6	178.2	325.6	191.3	347.4	201.7	75.8	91.3	54.5	170.8	184.2	2,068.7	2,386.9	1.3
New York.....	3,112.9	1,736.2	4,849.1	1,642.3	1,046.3	190.7	216.4	234.0	289.5	334.0	157.0	266.2	137.2	162.3	131.7	4,819.6	9,668.7	5.3
Philadelphia.....	920.2	782.4	1,702.6	277.8	527.3	1,041.4	268.5	368.1	454.8	483.1	788.0	337.6	296.2	156.7	117.6	5,137.1	6,896.7	3.7
Cleveland.....	108.8	571.5	679.3	183.9	605.5	462.2	424.9	431.3	437.2	373.0	276.1	481.3	391.1	328.4	130.1	4,526.0	5,201.3	2.9
Richmond.....	283.8	1,890.9	2,174.7	2,802.5	3,658.7	4,265.1	3,166.2	3,580.8	4,004.3	4,354.2	3,973.6	3,537.4	3,260.2	4,612.9	3,675.5	44,891.4	47,076.1	25.8
Atlanta (including New Orleans branch)	47.2	1,080.1	1,127.3	2,677.5	2,944.8	2,890.1	1,857.2	2,238.8	2,358.0	1,991.0	2,329.7	3,193.4	3,466.1	4,715.7	3,547.0	34,200.3	35,336.6	19.3
Chicago.....	2,990.8	2,419.0	5,409.8	361.8	298.5	591.0	265.0	446.5	648.1	661.9	305.8	953.1	1,227.0	1,258.2	2,220.8	9,238.7	14,648.5	8.0
St. Louis.....	1,572.2	341.4	1,913.6	613.9	339.2	266.0	280.8	388.1	400.9	466.8	551.9	612.0	933.6	866.9	574.5	6,317.6	8,231.2	4.5
Minneapolis.....	213.4	450.4	663.8	127.6	115.2	264.0	179.0	334.8	795.0	800.3	507.1	448.4	605.3	620.4	409.4	5,206.5	5,870.3	3.2
Kansas City.....	442.7	67.1	509.8	127.3	363.0	276.8	463.9	207.8	333.5	643.3	775.8	1,337.8	1,908.7	2,029.3	1,808.3	10,875.5	11,368.3	6.2
Dallas.....	212.9	826.0	1,038.9	936.5	1,728.3	2,230.0	2,651.9	2,464.7	2,477.1	2,136.2	2,044.6	2,086.5	2,364.2	2,636.0	2,379.9	26,756.9	27,795.8	15.2
San Francisco.....	12.6	1,023.3	1,035.9	835.4	761.9	744.2	428.9	1,237.5	860.2	792.5	448.3	440.0	398.7	119.1	233.0	7,287.7	8,323.6	4.6
Total.....	9,949.1	11,461.9	21,411.0	7,128.1	5,331.3	3,990.7	7,105,549.3	12,145.7	13,406.0	13,236.0	12,233.7	14,405.0	15,060.8	19,269.7	15,412.0	161,353.0	182,764.0	100.0
Per cent.....	5.4	6.3	11.7	5.9	6.9	7.3	5.8	6.7	7.3	7.2	6.7	7.9	8.2	10.0	8.4	88.3	100.0	

Amounts of trade acceptances discounted by each of the Federal Reserve Banks from Sept. 2, date of first discount, to Dec. 31, 1915.¹

[In thousands of dollars.]

Federal Reserve Bank.	Trade acceptances discounted during month of—				
	September.	October.	November.	December.	Total.
New York.....		4.8	.9		5.7
Cleveland.....	1.6	2.7	.6		4.9
Richmond.....	10.6	100.1	145.7	194.1	450.5
Atlanta, (Including New Orleans branch)...	259.2	402.6	205.6	139.7	1,007.1
St. Louis.....	12.3	37.1	13.8	104.6	167.8
Kansas City.....	4.5		71.8	11.5	87.8
Dallas.....	2.5	59.4	37.9	61.0	160.8
San Francisco.....	28.8	22.4	19.9	3.1	74.2
Total.....	319.5	629.1	496.2	514.0	1,958.8

Amounts of commodity paper discounted by each of the Federal Reserve Banks from Sept. 8, date of first discount, to Dec. 31, 1915.¹

[In thousands of dollars.]

Federal Reserve Bank.	Commodity paper discounted during month of—				
	September.	October.	November.	December.	Total.
Richmond.....	96.0	364.4	1,533.4	897.6	2,891.4
Atlanta (including New Orleans branch)...	807.3	1,657.2	2,739.1	1,828.7	7,032.3
St. Louis.....		31.2	15.0	53.6	99.8
Minneapolis.....		1.5	12.5	11.3	25.3
Dallas.....	2.3	4.8	83.7	148.2	239.0
San Francisco ²		35.7	1.5		37.2
Total.....	905.6	2,094.8	4,375.2	2,939.4	10,315.0

¹ Included in totals of commercial paper, shown in preceding tables.

² All discounted at regular rates.

Number of member banks, by districts, accommodated through the discount of commercial paper during each month from November, 1914, to Dec. 31, 1915.

Federal Reserve Bank.	1914		1915										Total since Nov. 16, 1914.			
	Novem-ber.	Decem-ber.	January.	Febru-ary.	March.	April.	May.	June.	July.	August.	Septem-ber.	October.		Novem-ber.	Decem-ber.	Total in 1915.
Boston.....	3	7	7	6	13	13	12	13	12	6	9	7	6	9	19	20
New York.....	8	5	6	10	13	18	18	20	20	10	13	8	8	12	49	54
Philadelphia.....	7	13	12	22	25	19	24	26	24	16	14	11	16	13	65	70
Cleveland.....	2	16	12	17	22	25	31	32	24	18	19	23	21	9	81	88
Richmond.....	16	66	91	100	112	122	126	137	155	146	127	126	128	112	226	228
Atlanta.....	9	59	96	128	113	104	130	128	127	119	129	135	181	131	247	248
Chicago.....	46	55	31	31	42	32	48	57	50	35	65	78	95	83	143	221
St. Louis.....	6	21	24	24	32	34	44	44	34	52	54	45	54	45	129	131
Minneapolis.....	8	22	21	17	30	23	39	96	51	68	43	56	66	112	176	197
Kansas City.....	9	7	11	17	35	41	27	38	72	70	89	150	110	83	258	274
Dallas.....	16	54	58	70	102	138	153	166	136	126	160	128	129	118	360	366
San Francisco.....	2	14	29	32	31	37	38	56	55	42	39	27	21	27	167	169
Total number of member banks accommodated.....	132	339	398	469	570	606	693	813	760	711	781	794	835	754	1,920	2,073
Total number of national and other member banks.....	7,584	7,593	7,609	7,618	7,614	7,622	7,623	7,624	7,625	7,640	7,650	7,635	7,655	7,646	.....	.....

Amounts of bankers' acceptances purchased by Federal Reserve Banks during each month from date of first purchase (Feb. 19, 1915) to Dec. 31, 1915, and total amounts purchased during the calendar year 1915.

[In thousands of dollars.]

Banks.	Febru- ary.	March.	April.	May.	June.	July.	August.	Septem- ber.	October.	Novem- ber.	Decem- ber.	Total.	Per cent.
Boston.....	340	1,080	550	643	573	1,064	1,064	781	1,792	3,347	12,921	14,106	21.7
New York.....	1,660	3,343	1,272	867	3,063	2,497	1,598	1,770	2,200	1,900	5,644	25,834	39.8
Philadelphia.....	339	857	437	170	550	801	328	994	430	709	1,960	7,565	11.7
Cleveland.....	200	931	141	73	49	298	170	137	338	316	312	2,963	4.6
Richmond.....	.....	.....	.....	.....	.....	.....	.....	100	.....	.....	150	250	.4
Atlanta (including New Orleans branch).....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	72	72	.1
Chicago.....	.....	1,412	293	159	111	498	628	387	671	742	901	5,782	8.9
St. Louis.....	.....	67	126	213	44	300	141	120	293	261	261	1,801	2.8
Minneapolis.....	127	210	101	59	29	191	116	72	209	178	183	1,455	2.2
Kansas City.....	.....	82	275	352	27	194	247	86	177	179	169	1,788	2.8
Dallas.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
San Francisco.....	.....	424	823	324	235	143	364	121	262	287	247	3,280	5.0
Total.....	2,666	8,356	4,018	2,865	4,701	5,986	4,656	4,543	6,340	7,919	12,790	64,845	100.0
Per cent.....	4.1	12.9	6.2	4.4	7.3	8.9	7.5	6.8	10.0	12.2	19.7	100.0	

¹ Includes \$31,000 of trade acceptances purchased in open market.

Amounts of bankers' acceptances purchased during each month from date of first purchase (Feb. 19, 1915) to December, 31, 1915, distributed by maturities.

MATURITIES.

[In thousands of dollars.]

Months.	Within 30 days.	After 30 but within 60 days.	After 60 days but within 3 months.	Total.	Months.	Within 30 days.	After 30 but within 60 days.	After 60 days but within 3 months.	Total.
February.....	.....	56	2,610	2,666	September.....	78	211	4,269	4,548
March.....	814	1,268	6,284	8,356	October.....	468	761	5,066	6,340
April.....	76	870	3,073	4,018	November.....	151	1,780	5,988	7,919
May.....	2	1,280	1,583	2,865	December.....	844	1,003	1 10,943	12,790
June.....	141	627	3,933	4,701	Total.....	2,980	9,057	52,808	64,845
July.....	43	736	5,207	5,986					
August.....	339	475	3,842	4,656					

¹ Includes \$31,000 of trade acceptances purchased in open market.

Amounts of United States bonds (par value) purchased by Federal Reserve Banks each month from date of opening to Dec. 31, 1915.

	1914		1915												Total purchased and on hand Dec. 31, 1915.
	Novem- ber.	Decem- ber.	January.	Febru- ary.	March.	April.	May.	June.	July.	August.	Septem- ber.	Octo- ber.	Novem- ber.	Decem- ber.	
Boston.....									\$200,000	\$300,000			\$500,000		31,000,000 6.3
New York.....															
Philadelphia.....									\$200,000	150,000			\$154,000	1,496,000	2,000,000 12.6
Cleveland.....				\$100,000			\$175,000	259,500	127,500	198,500	\$26,500	45,000	672,000	\$753,000	2,357,000 14.8
Richmond.....															
Atlanta.....															
Chicago.....	\$206,000	\$1,246,000	1,675,000	\$400,000			100,000	100,000		224,500	26,500	46,000	79,000	121,000	4,231,000 26.6
St. Louis.....				25,000	220,000							725,000			970,000 6.1
Minneapolis.....				650,000	300,000	\$75,000				2,000		55,000	105,820	141,000	1,328,820 8.3
Kansas City.....			405,500	116,250	420,000					300	435,000	176,100	136,000	462,500	2,151,650 13.5
Dallas.....														870,000	870,000 5.5
San Francisco.....			1,000,000				10,000								1,010,000 6.3
Total.....	205,000	2,650,500	2,568,250	1,940,000	75,000	285,000	559,500	477,500	735,300	488,000	1,200,100	2,988,820	2,847,500	15,918,470	100.0
Per cent.....		1.3	16.7	16.1	8.4	0.5	1.8	3.5	3.0	4.6	3.1	7.5	18.8	14.7	100.0
Of the above totals, the following classes of bonds were purchased each month:															
2 per cent bonds.....	175,000	2,380,500	2,166,250	940,000	75,000	10,000	200,000	350,000	800,000	435,000	1,055,100	2,282,000	1,582,500	11,961,350	76.1
3 per cent bonds.....	30,000	270,000	400,000	400,000		275,000	359,500	127,500	435,300	53,000	145,000	316,820	385,000	3,197,130	20.1
4 per cent bonds.....													390,000	380,000	770,000 4.8

Amounts of municipal warrants purchased by the Federal Reserve Banks each month from date of opening to Dec. 31, 1915.
 [In thousands of dollars.]

	1914		1915												Total since November, 1914.	Per cent.
	Novem-ber.	Decem-ber.	January.	Febru-ary.	March.	April.	May.	June.	July.	August.	Sep-tember.	Octo-ber.	Novem-ber.	Decem-ber.		
Boston.....			555.5	320.0	307.7	635.5	658.7	732.3	494.4	1,148.1	749.0	340.2	1,706.6	670.9	8,269.9	12.4
New York.....			5,261.3	2,041.8	781.0	705.3	1,007.2	1,889.6	3,611.5	4,647.2	422.1	100.0	5,006.5	391.9	26,465.4	39.8
Philadelphia.....			1,525.1	46.6	493.0	243.1	643.5	321.5	649.7	1,001.0	724.9	218.0	694.1	881.3	7,399.8	11.1
Cleveland.....			820.1		493.5	616.3	632.0	348.7	513.2	1,004.8	1,660.1	454.5	73.1	188.7	6,805.0	10.2
Richmond.....				37.0	1.0								69.3	13.0	120.3	.2
Atlanta, including New Or-leans branch.....																
Chicago.....			1,525.0	105.0	990.5	433.0	375.0	502.5	985.0	1,701.0	213.6	119.3	203.3	597.4	7,694.6	11.6
St. Louis.....				26.8	575.0	150.9	45.8	109.4	337.1	682.6	137.9	10.0	110.9	86.4	2,264.8	3.4
Minneapolis.....			400.0		35.0	198.4	54.2	195.3	205.1	394.9	68.7	65.0	553.9	194.7	2,395.2	4.6
Kansas City.....					63.4	46.5	70.0	75.4	280.1	501.0	60.6	40.0	75.5	27.7	1,260.2	1.9
Dallas.....															75.7	.1
San Francisco.....					55.1	167.6	890.4	338.1	380.4	668.4	70.8	22.1	88.0	155.8	2,807.7	4.2
Total.....	677.0		10,057.0	2,583.2	3,736.2	3,193.6	4,046.8	4,512.8	7,346.5	11,750.0	4,115.8	1,370.1	9,001.2	3,210.6	65,859.3	100.0
Per cent.....	1.1		15.1	3.9	5.6	4.8	7.4	6.8	11.0	17.7	6.2	2.1	13.5	4.8	98.9	100.0

NOTE.—The amounts of municipal warrants purchased by the Boston, New York, Philadelphia, Chicago, St. Louis, and San Francisco banks as shown in the above statements do not agree with the amounts shown in the reports for those banks, as the above figures represent the amounts charged to investments, whereas the figures given in the Federal Reserve Agents' reports for the banks represent in part the par value of the warrants purchased.

Total investment operations (bills discounted, bankers' acceptances, United States bonds and municipal warrants bought), by months, of each Federal Reserve Bank during the period November, 1914, to Dec. 31, 1915.

[In thousands of dollars.]

	1914			1915												Total since or- ganiza- tion.	
	Novem- ber.	Decem- ber.	Total.	January.	Febru- ary.	March.	April.	May.	June.	July.	August.	Septem- ber.	October.	Novem- ber.	Decem- ber.		Total.
Boston.....	26.6	273.6	300.2	681.8	799.6	1,515.9	1,511.1	1,493.0	1,652.7	1,900.1	2,588.9	1,621.3	2,186.7	5,724.4	3,776.1	25,451.6	25,751.8
New York.....	3,112.9	1,736.2	4,849.1	6,903.6	4,748.1	4,314.7	2,183.7	2,710.2	5,262.1	6,442.5	6,402.2	2,478.3	2,437.2	7,058.8	6,167.6	57,119.0	61,908.1
Philadelphia.....	920.2	782.4	1,702.6	1,802.9	915.9	2,356.4	968.6	1,181.6	1,526.3	2,083.8	2,117.0	2,066.5	1,098.2	3,045.8	2,948.9	22,101.9	23,804.5
Cleveland.....	103.8	571.5	675.3	1,004.0	908.5	1,896.7	1,182.2	1,311.3	1,094.4	1,311.7	1,649.4	2,304.9	1,226.6	1,389.5	1,383.8	16,651.0	17,326.3
Richmond.....	283.8	1,890.9	2,184.7	2,802.5	3,685.7	4,266.1	3,166.2	3,580.8	4,004.3	4,354.2	3,973.6	3,637.4	3,260.2	4,682.2	3,838.5	45,261.7	47,446.4
Atlanta.....	47.2	1,080.1	1,127.3	2,677.5	2,944.8	2,890.1	1,857.2	2,238.8	2,338.0	1,991.0	2,326.7	3,198.0	3,466.1	7,040.8	3,619.0	34,611.0	36,738.3
Chicago.....	2,990.8	2,624.0	5,614.8	3,131.8	2,078.5	3,372.5	991.0	1,080.5	1,361.6	2,094.9	2,869.3	1,563.2	2,062.3	2,285.5	3,840.2	26,731.3	32,346.1
St. Louis.....	1,572.2	341.4	1,913.6	613.9	394.0	1,128.0	557.7	651.9	654.3	1,083.9	1,375.5	899.9	1,951.6	1,241.8	920.9	11,353.4	13,267.0
Minneapolis.....	213.4	1,127.4	1,340.8	527.6	892.2	809.0	554.4	448.0	1,019.3	1,196.4	1,020.0	589.1	834.3	1,488.1	908.1	10,386.5	11,727.3
Kansas City.....	442.7	67.1	509.8	532.8	479.3	842.2	785.4	629.8	435.9	1,127.4	1,524.1	1,919.4	2,301.8	3,019.8	2,467.5	16,065.4	16,576.2
Dallas.....	212.9	826.0	1,038.9	936.5	1,729.3	2,220.0	2,651.9	2,464.7	2,477.1	2,136.2	2,044.6	2,686.5	2,364.2	2,707.9	3,253.7	27,702.6	28,741.5
San Francisco.....	12.6	1,023.3	1,035.9	1,835.4	761.9	1,223.3	1,419.5	2,431.9	1,433.3	1,315.9	1,480.7	631.8	671.8	494.1	635.8	14,335.4	15,371.3
Total.....	9,949.1	12,343.9	22,293.0	23,450.3	20,345.8	26,834.9	17,838.9	20,242.5	23,179.3	27,048.0	29,375.0	23,536.3	23,961.0	36,178.7	33,760.1	307,770.8	330,063.8

Exhibit E—GOLD SETTLEMENT FUND.

Preparations to "exercise the functions of a clearing house for Federal Reserve Banks," as provided for in section 16 of the Federal Reserve Act, were taken up by the Federal Reserve Board in April, 1915, and on May 8 the following circular and regulation were issued:

(Circular No. 13, series of 1915.)

CLEARINGS BETWEEN FEDERAL RESERVE BANKS.

Section 16 of the Federal Reserve Act authorizes the Federal Reserve Board, at its discretion, to exercise the functions of a clearing house for the Federal Reserve Banks.

Pursuant to the authority of this section the Federal Reserve Board has devised a plan for the establishment of a gold fund for the weekly settlement of balances arising out of transactions among the 12 Federal Reserve Banks, to be operated under the direction of the Federal Reserve Board with the cooperation of the Treasury Department.

The regulation governing the establishment and operation of this fund is issued herewith.

(Regulation L, series of 1915.)

CLEARINGS BETWEEN FEDERAL RESERVE BANKS.

I. *Statutory provisions under section 16.*—"The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal Reserve Banks and their branches and may at its discretion exercise the functions of a clearing house for such Federal Reserve Banks or may designate a Federal Reserve Bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

II. *General provisions.*—In the exercise of the functions of the clearing house authorized under the provisions of section 16, quoted above, the Federal Reserve Board and the Federal Reserve Banks will be governed by and subject to the following regulations and the Federal Reserve Board will be the custodian of the funds herein-after termed the Gold Settlement Fund. The Board will appoint a settling agent, who shall keep the necessary records and accounts.

III. *Deposits in the gold settlement fund.*—(a) Each Federal Reserve Bank shall, not later than May 24, 1915, forward to the Treasury or the nearest subtreasury, for credit to the account of the Gold Settlement Fund, \$1,000,000 in gold, gold certificates, or gold order certificates, and in addition an amount at least equal to its net indebtedness due to all Federal Reserve Banks.

(b) The Treasurer of the United States or Assistant Treasurer will, in accordance with arrangements made with the Treasury Department, advise the Federal Reserve Board, by mail or telegraph, of the receipt of all funds deposited on account of the Gold Settlement Fund, and the Treasurer will issue and deliver to the Federal Reserve Board gold order certificates made "payable to the order of the Federal Reserve Board" covering the sum so deposited.

(c) Each Federal Reserve Bank shall maintain a balance in the Gold Settlement Fund of not less than \$1,000,000.

(d) Excess balances may, at the convenience of each Federal Reserve Bank, remain deposited with the Gold Settlement Fund.

IV. *Custody of funds.*—(a) A safe in the Treasury vault will be set apart for the exclusive use of the Federal Reserve Board.

(b) To open the Treasury vault, the presence of two persons designated by the Secretary of the Treasury is required. The combination of the safe set apart for the use of the Board will be controlled by two persons designated by the Board.

(c) A vault record shall be kept, giving a memorandum of all entrances to the safe, by whom made, for what purpose, and the certificates deposited or withdrawn. Each entry on the vault record book shall be signed by the persons having access to the safe.

V. *Accounts.*—In its relations with other Federal Reserve Banks each Federal Reserve Bank shall keep an account showing balances "due to" other Federal Reserve Banks representing the proceeds of items which it has actually collected and payments and transfers which have been made to it for the account of such other Federal Reserve Banks and an account showing balances "due from" other Federal Reserve Banks

representing the proceeds of items which it has sent to such other Federal Reserve Banks and payments and transfers which have been made to such other Federal Reserve Banks for its account.

VI. *Procedure.*—(a) At the close of business each Wednesday night, each Federal Reserve Bank shall telegraph to the Federal Reserve Board, confirming such telegram by mail, the amounts in even thousands due to each other Federal Reserve Bank as of that date, as indicated by its "due to" account provided for in Rule V. If Wednesday is a holiday in the State in which a Federal Reserve Bank is located, then such bank shall telegraph, as herein provided, on Tuesday, at the close of business.

(b) The settling agent shall, on each Thursday, make the proper debits and credits in the accounts of each Federal Reserve Bank with the Gold Settlement Fund, and shall telegraph to each bank the amounts, in even thousands, of credits to its settlement account, giving the name of each Federal Reserve Bank from which each of its credits was received and also its net debit or credit balance in the weekly settlement.

(c) Each Federal Reserve Bank shall, on receipt of the telegram from the settling agent, debit the "due to" Federal Reserve Banks' accounts, and shall credit the Gold Settlement Fund; and shall credit the "due from" Federal Reserve Banks' accounts and charge the Gold Settlement Fund. The difference between the total debits and credits shall equal the net debit or credit to the Gold Settlement Fund, as advised in the telegram from the settling agent.

VII. *Deficits.*—(a) Should the debit settlement balance of any Federal Reserve Bank be in excess of the amount of its credit in the Gold Settlement Fund, such deficit must be immediately covered either by the deposit of gold, gold certificates, or gold order certificates in the Treasury or nearest subtreasury, or by credit operations with other Federal Reserve Banks which have an excess balance with the Gold Settlement Fund. Any delay in covering such deficit shall be subject to such charge as the Federal Reserve Board may impose.

(b) As required in III (c) of this regulation, each Federal Reserve Bank shall maintain a balance in the Gold Settlement Fund of not less than \$1,000,000. Should the credit balance of any Federal Reserve Bank in such fund fall below \$1,000,000, such bank shall restore its balance to that amount in either manner indicated under VIII (a) of this regulation on or before Tuesday of the following week.

VIII. *Excess balances.*—Any excess balance shall, on request, either by telegram or letter, of the Federal Reserve Bank to which it is due, be refunded by the return to the reserve bank of the gold order certificates held by the Gold Settlement Fund properly indorsed; or by the indorsement and delivery to the Treasurer of a like amount of such certificates for which he will give in exchange bearer gold certificates, which the Federal Reserve Board may send by registered mail, insured, to the banks, if they want funds other than gold order certificates, or in lieu of such payment the Treasurer may by wire or mail direct payment to be made by a subtreasury office through the medium of the general account, provided funds are held in such office available for the purpose. Gold order certificates will, when presented at the office of the Treasurer of the United States or any subtreasury, bearing the signatures of duly authorized officers of the Federal Reserve Bank, be payable in gold or gold certificates. If the Treasury finds it necessary to ship from one point to another in order to have the gold or gold certificates available at the subtreasury to which such gold order certificates are presented, the Federal Reserve Board will, for the account of the Gold Settlement Fund, refund any expense incurred by the Treasury in making such shipments.

IX. *Reserve.*—Each Federal Reserve Bank shall count as a part of its legal reserve the funds standing to the credit of its account on the books of the Gold Settlement Fund.

X. *Expenses.*—Cost of operation of and shipment of currency by the Gold Settlement Fund shall be apportioned by a semiannual accounting among the 12 Federal Reserve Banks on a basis to be hereafter determined by the Board after consultation with the Federal Reserve Banks.

XI. *Audit.*—At least once in each three months an audit shall be made of the Gold Settlement Fund by a representative of the Federal Reserve Board and a representative appointed by the Federal Reserve Banks.

XII.—The Federal Reserve Board reserves the right to add to, alter, or amend these regulations.

Under this regulation, each Federal Reserve Bank deposited with the Treasurer of the United States at Washington, or at any Subtreasury \$1,000,000, plus the net amount of its indebtedness to other Federal Reserve Banks. The Treasury Department had agreed to cooperate with the Federal Reserve Board in operating the fund,

and under the arrangements thus concluded the several assistant treasurers were to forward telegraphic advice of deposits received to the Treasurer of the United States at Washington, who would in turn issue gold order certificates of the \$10,000 denomination, payable to the Federal Reserve Board.

To ascertain the amount which each bank should deposit, a preliminary settlement or clearing was made May 20 on the basis of figures reported by the Federal Reserve Banks at the close of business May 19. The required deposits, aggregating approximately \$18,000,000, were made in the week following this preliminary settlement. The first regular weekly settlement was made on Thursday, May 27, each Federal Reserve Bank having on Wednesday evening transmitted to the Federal Reserve Board advice of the amount due from it to each other Federal Reserve Bank and after completion of the settlement a telegram was sent to each bank giving the amounts which other Federal Reserve Banks had reported due it, and the net amount by which it was debtor or creditor at the clearing. Upon receipt of this telegram each bank charged the accounts of other Federal Reserve Banks for the amounts it had reported due to them, and credited their accounts with the amounts which they had reported due to it, the obligations in each case having been extinguished by the operation of settling and the transfer of title to gold held in the gold settlement fund. This procedure has since been followed at each Thursday settlement.

The gold order certificates held in the fund are in the joint custody of a settling agent and deputy settling agent appointed by the Federal Reserve Board, and are deposited by them in a burglar-proof safe, controlled by double combination lock requiring the presence of both officers to obtain access. This safe is in a vault of the Treasury Department.

Transfers of funds from the credit of one Federal Reserve Bank to that of another are affected by book entries, upon telegraphic or mail request from the Federal Reserve Bank making the transfer.

Withdrawals from the fund are effected either by delivery to the Treasurer of the United States of the certificates, bearing proper indorsement, with a request that he arrange for payment to the Federal Reserve Bank making the withdrawal at the sub-treasury nearest said bank, or by return to the Federal Reserve Bank of the gold order certificates, indorsed.

Through the procedure above outlined, the Federal Reserve Board has, up to the close of the year 1915, settled through the gold settlement fund for the 12 Federal Reserve Banks an indebtedness aggregating \$1,052,649,000, with a net change of only \$95,697,000 in ownership of the gold held in the fund, or 8.14 per cent of the total amount cleared. The direct expense incidental to the administration of the gold settlement fund in handling these transactions has been approximately \$1,150, principally for equipment and telegraph service.

A noteworthy feature in the operation of the fund has been the avoidance of the necessity for shipment of funds between Federal Reserve Banks. Statements are given below, one showing the amount which each bank has deposited and withdrawn, the amount which each has collected from or paid to other Federal Reserve Banks, and the amount to which, during the period of operation ending December 31, 1915, it has been debtor or creditor. A statement is also given showing the places at which the deposits and withdrawals of funds have been made, from which it will be noted that at only one subtreasury have the withdrawals exceeded the deposits (New Orleans, where \$3,510,000 was deposited and \$7,810,000 withdrawn), and as the fiscal operations of the Treasury Department had concentrated a surplus of cash at that point, no shipment was necessary to meet this excess of withdrawals.

Condensed summary of transactions, May 20 to Dec. 31, 1915, both inclusive.

Federal Reserve Bank of—	Gold deposited.	Withdrawn.	Withdrawn by transfer to Federal Reserve Agent.	Total withdrawn.	Excess of—		Payments to and from other Federal Reserve Banks.				Balance to credit in fund Dec. 31, 1915.
					Deposits.	With- drawals.	Total debits.	Total credits.	Net debit.	Net credit.	
Boston.....	\$3,230,000	.....	.....	.....	\$3,230,000	.....	\$134,160,000	\$135,209,000	.....	\$1,049,000	\$4,279,600
New York.....	87,000,000	.....	.....	.....	87,000,000	.....	334,558,000	293,300,000	.....	.....	5,717,000
Philadelphia.....	12,450,000	\$7,000,000	\$5,000,000	\$12,000,000	\$7,450,000	.....	129,399,000	138,644,000	.....	9,245,000	9,695,000
Cleveland.....	3,200,000	270,000	.....	270,000	2,930,000	.....	17,194,000	25,306,000	.....	8,112,000	11,042,000
Richmond.....	9,770,000	1,110,000	9,550,000	10,660,000	.....	.....	67,579,000	78,644,000	.....	10,765,000	9,876,000
Atlanta.....	6,380,000	.....	13,700,000	13,700,000	.....	.....	32,107,000	43,144,000	.....	11,037,000	3,717,600
Chicago.....	12,030,000	2,000,000	4,280,000	6,280,000	5,770,000	.....	156,084,000	151,670,000	.....	.....	1,356,000
St. Louis.....	3,220,000	2,000,000	5,000,000	7,000,000	.....	.....	101,517,000	111,369,000	.....	.....	6,072,000
Minneapolis.....	1,400,000	.....	4,000,000	4,000,000	.....	.....	6,141,000	13,098,000	.....	9,852,000	4,355,600
Kansas City.....	3,480,000	270,000	7,000,000	7,270,000	.....	.....	37,305,000	43,559,000	.....	6,254,000	2,464,600
Dallas.....	7,660,000	7,680,000	1,900,000	9,580,000	.....	.....	20,398,000	31,876,000	.....	11,478,000	9,308,000
San Francisco.....	5,980,000	5,000,000	2,050,000	7,050,000	.....	.....	15,882,000	26,832,000	.....	10,950,000	9,898,000
Total.....	155,800,000	25,580,000	52,460,000	79,040,000	77,760,000	.....	1,052,649,000	1,052,649,000	85,697,000	85,697,000	77,760,000

Deposits and withdrawals by Federal Reserve Banks, and where made, May 20 to Dec. 31, 1915.

[000's omitted.]

Treasury, subtreasury, or mint at—	Federal Reserve Bank of—											
	Boston.		New York.		Philadelphia.		Cleveland.		Richmond.		Atlanta.	
	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.
Boston.....	\$3,230	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
New York.....			\$87,000	.....	.....	.....	.....	.....	.....	.....	.....	.....
Philadelphia.....					\$12,450	\$7,000	.....	.....	.....	.....	.....	.....
Cincinnati.....							\$1,500	.....	.....	.....	.....	.....
Washington.....							1,700	\$270	\$1,110	16,270	.....	.....
Chicago.....											\$12,030	\$2,000
Total.....	3,230	.....	87,000	.....	12,450	7,000	3,200	270	9,770	1,110	6,380	12,030
Federal Reserve Bank of—												
Treasury, subtreasury, or mint at—	St. Louis.		Minneapolis.		Kansas City.		Dallas.		San Francisco.		By all banks.	
	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.
	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.
Boston.....												
New York.....												
Philadelphia.....												
Cincinnati.....												
Washington.....												
Chicago.....												
St. Louis.....												
New Orleans.....												
San Francisco.....												
Denver.....												
Total.....	3,220	2,000	1,400	.....	3,480	270	7,660	7,930	5,980	5,000	155,800	25,580

* Includes a deposit of \$5,000,000 made by the Treasury Department.

* Includes a deposit of \$4,000,000 made by the Treasury Department.

* In addition to the amount shown, \$4,400,000 has been deposited with the assistant treasurer of the United States at San Francisco, to the credit, however, of the Federal Reserve Agent at San Francisco.

FEDERAL RESERVE AGENTS' FUND.

The opening of accounts with the Federal Reserve Agents was authorized by the Federal Reserve Board by a resolution adopted September 8, 1915, for the purpose of facilitating the adjustment of accounts between the several Federal Reserve Agents and the Federal Reserve Banks, and the settling agent and deputy settling agent were instructed to handle deposits received from the Federal Reserve Agents in the same manner as those received from the Federal Reserve Banks, with the proviso, however, that the accounts and records pertaining to the deposits, withdrawals, or transfers of funds to the credit of the several Federal Reserve Agents should at all times be kept separate and distinct from those relating to Federal Reserve Banks and separate and distinct from each other.

The fund thus established has been designated the "Federal Reserve Agents' fund" and amounted on December 31, 1915, to \$56,860,000, representing money held by the Federal Reserve Agents against Federal Reserve notes issued to the Federal Reserve Banks and against which the banks had deposited the funds in question to reduce or extinguish their liability for the notes.

GOLD HELD BY THE FEDERAL RESERVE BOARD TO THE CREDIT OF FEDERAL RESERVE AGENTS AS AT CLOSE OF BUSINESS DEC. 31, 1915.

Transfers made by Federal Reserve Banks from funds to their credit with the gold settlement fund to the credit of their respective Federal Reserve Agents with the Federal Reserve Agents' fund.....	\$32,460,000
Deposits made by Federal Reserve Agents with subtreasuries for credit with Federal Reserve Agents' fund.....	4,400,000
Total	56,860,000
Federal Reserve Agent at—	
Philadelphia	\$5,000,000
Richmond	9,550,000
Atlanta	13,700,000
Chicago	4,380,000
St. Louis	5,000,000
Minneapolis	4,000,000
Kansas City	7,600,000
Dallas	1,900,000
San Francisco	6,450,000
Total	56,860,000

Exhibit F.—INTRADISTRICT CLEARINGS.

Total number of items and amounts cleared by each Federal Reserve Bank to Dec. 31, 1915.

Federal Reserve Bank.	Number of items cleared.	Amounts cleared.
Boston.....	181,209	\$272,395,461
New York.....	1,262,211	1,334,015,772
Philadelphia.....	873,271	493,196,559
Cleveland.....	299,589	139,095,000
Richmond.....	599,146	237,877,300
Atlanta.....	186,421	101,090,344
New Orleans branch.....	6,148	18,482,426
Chicago.....	2,122,405	1,303,629,563
St. Louis.....	1,936,590	642,581,753
Minneapolis.....	22,943	23,323,589
Kansas City.....	2,059,619	745,833,698
Dallas.....	252,420	127,310,440
San Francisco.....	5,129	438,349
Total.....	9,777,061	5,442,623,282

Exhibit G.—RECEIPTS AND DISBURSEMENTS OF FEDERAL RESERVE BOARD.

There is here given a detailed account of receipts and expenditures by the Federal Reserve Board. The expenses of the Reserve Bank Organization Committee were paid from an appropriation of \$100,000 made by Congress. Of this appropriation there is a balance of \$17,708.15 unexpended.

Under the Federal Reserve Act the Federal Reserve Board is authorized to make semiannual assessments upon Federal Reserve Banks to cover its expenses. The first assessment for this purpose was made on November 2, 1914.

Disbursements for the Board were, until February 12, 1915, made by the governor of the Board, on which date the moneys of the Board were deposited in the Treasury of the United States to the credit of a special fund, a bonded fiscal agent having been appointed by the Board and authorized to make collections and disbursements.

The funds of the Board are carried in a special account with the Treasurer of the United States and transfers are made by the governor of the Board to the credit of the fiscal agent as necessary. The accounts of the Board pass through the hands of the Auditor for the State and other departments and are given the official examination required by the Government. The term "auditor's settlement by transfer" under "Disbursements" covers settlements made by transfers of credit authorized and directed by the auditor on the books of the Treasury Department. It is used by the Federal Reserve Board largely in connection with payments to the Bureau of Engraving and Printing for the preparation of Federal Reserve notes. The term "commitments" where used covers all obligations entered into by the Board.

Telegrams paid for by the Federal Reserve Board are billed at the Government rate. All payments for the Board are first approved either by the Board or the Committee on Budget and Expenditures and the secretary of the Board.

RECEIPTS.

Unexpended balance Jan. 1, 1915.....	\$139, 169. 80
Second assessment (made July 1, 1915).....	108, 283. 64
Reimbursements.....	528. 07
Bulletin, subscriptions to.....	521. 84
Total available.....	248, 503. 35

DISBURSEMENTS.

By governor of Board (Jan. 1 to Feb. 12, 1915).....	18, 478. 26
By fiscal agent (Feb. 13 to Dec. 31, 1915).....	172, 731. 19
Auditors settlements by transfer (Jan. 1 to Dec. 31, 1915).....	20, 004. 13
Total disbursements.....	211, 213. 58
Balances on hand Dec. 31, 1915, with Treasurer of United States to credit of—	
Fiscal agent.....	\$12, 268. 81
Federal Reserve Board.....	25, 020. 96
	37, 289. 77
	248, 503. 35

GENERAL STATEMENT.

First assessment, including \$239,871.10 for Federal Reserve notes, made Nov. 2, 1914.....	\$431,768.40
Overpayments first assessment.....	106.43
	431,874.83
Amount assessed for Federal Reserve notes.....	239,871.10
To credit of general expenses (including \$106.34 overpayment).....	192,003.73
Total disbursements to Jan. 1, 1915.....	52,833.93
	139,169.80
Unexpended balance Jan. 1, 1916.....	139,169.80
To credit general expenses, 1914.....	192,003.73
Total commitments to Dec. 31, 1914.....	62,498.08
	129,505.65
Unencumbered balance Jan. 1, 1915.....	129,505.65
Unexpended balance Jan. 1, 1915.....	139,169.80
Unencumbered balance Jan. 1, 1915.....	129,505.65
	9,664.15
Unpaid commitments Jan. 1, 1915.....	9,664.15
Available funds during 1915 as per statement.....	248,503.35
Unpaid commitments Jan. 1, 1915.....	\$9,664.15
Commitments during 1915.....	207,722.71
	217,386.86
Unencumbered balance Dec. 31, 1915.....	31,116.49
Unpaid commitments Dec. 31, 1915 (estimated).....	6,173.28
	37,289.77
Unexpended balance Dec. 31, 1915.....	37,289.77

Detailed statement of expenses.

	To and including Dec. 31, 1914.	1915												Total for year 1915.
		January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	
Personal services—Salaries:														
Board and its clerks.....	\$29,765.00	\$7,449.98	\$7,361.64	\$7,833.32	\$7,833.31	\$7,333.31	\$7,333.32	\$7,333.31	\$7,333.31	\$7,333.32	\$7,333.31	\$7,333.31	\$7,333.31	\$68,144.75
Secretary's office.....	6,641.09	2,563.87	2,472.92	2,468.32	2,398.32	2,398.32	2,312.77	2,318.32	2,318.32	2,359.98	2,406.15	2,337.21	2,323.32	28,667.82
Counsel's office.....	1,868.33	975.00	1,058.33	1,158.33	1,158.33	1,519.44	1,574.99	1,715.82	1,900.00	1,908.34	1,860.66	1,860.66	1,866.67	18,618.57
Division of audit and examination.....	1,635.01	1,183.33	1,183.33	1,183.33	976.65	1,128.33	1,133.33	1,164.16	1,164.16	1,464.16	1,426.16	1,404.16	1,404.16	14,815.26
Division of reports and statistics.....	602.22	476.66	605.28	597.50	598.66	511.66	558.33	610.83	633.33	633.33	633.33	608.33	633.33	7,128.57
Division of issue.....	3,027.87	1,613.68	1,130.01	1,268.36	1,739.31	1,872.66	1,837.66	651.66	651.66	651.66	616.66	651.66	651.66	13,361.66
Telephone operator.....	93.33	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	660.00
Messengers.....	788.30	405.00	375.00	355.00	355.00	355.00	355.00	425.00	425.00	425.00	440.00	375.00	315.00	4,405.00
Charwomen.....	117.99	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	720.00
	44,539.14	14,777.52	14,296.51	14,499.16	14,657.58	15,198.72	15,215.42	14,329.10	14,586.78	14,885.79	14,832.27	14,686.33	14,637.45	176,601.63
Nonpersonal services—Transportation and subsistence of persons:														
Board and its clerks.....	86.80	.....	12.00	54.10	288.62	410.37	46.59	97.44	215.00	.....	223.75	.....	308.40	1,654.27
Secretary's office.....	.....	.....	.....	.....	.....	13.80	.....	.....	28.00	.....	.....	.....	.....	41.80
Division of audit and examination.....	287.70	.....	346.32	538.77	346.42	1,157.11	150.90	21.80	828.61	116.80	588.69	671.99	581.24	5,351.75
Counsel's office.....	.....	.....	.....	.....	.....	.....	.....	27.22	.....	.....	14.90	.....	11.70	53.82
Messengers (car fare).....	5.00	5.00	.....	.....	5.00	.....	5.00	.....	5.00	.....	.....	5.00	.....	25.00
Transportation of things.....	1.49	.....	.....	.....	.....	1.72	.69	.24	.....	.....	.....	.....	.....	2.65

Correspondence division and division of mail and files abolished and made part of Secretary's Office Dec. 1, 1915.

Detailed statement of expenses—Continued.

	To and including Dec. 31, 1914.	1915												Total for year 1915.
		January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	
Communication service:														
Telephone.....	\$709.59	\$45.08	\$92.48	\$35.61	\$53.80	\$97.46	\$92.50	\$37.69	\$81.15	\$44.53	\$43.00	\$40.00	\$40.00	\$946.29
Telegraph.....	1,201.61	140.66	239.31	228.42	300.33	277.20	311.23	233.71	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	2,998.86
Postage.....	51.00	28.50	.....	27.50	.....	55.00	.....	20.00	.....	.....	20.00	.....	30.00	176.00
Printing, binding, etc.	3,350.91	1,714.96	245.89	155.77	2,573.14	1,462.66	767.64	990.63	699.87	798.16	798.28	798.14	1,049.47	12,612.61
Engraving.....	58.82	.....	.....	7.10	250.00	.....	.....	.....	.....	.....	.....	.....	.....	297.10
Advertising.....	39.15	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Contract repairs.....	38.45	6.67	43.00	.15	.....	.50	6.00	1.00	.....	11.65	8.00	1.88	13.35	101.90
Electricity.....	60.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	360.00
Steam (heat).....	30.00	15.00	15.00	15.00	15.00	.....	.....	.....	.....	.....	.....	15.00	15.00	90.00
Other (nonpersonal services).....	1,255.93	700.91	34.40	.....	45.00	275.90	90.00	.....	.....	.....	.....	15.46	.....	1,321.67
Supplies:														
Stationery.....	2,040.46	209.00	53.26	181.07	219.02	449.04	117.65	98.08	17.74	88.22	93.74	79.14	56.15	1,662.06
Periodicals.....	93.25	5.25	6.00	20.40	8.00	3.60	.....	66.71	7.15	18.00	15.00	.....	8.00	127.11
Other.....	646.02	12.78	14.57	7.45	8.53	40.69	31.12	8.86	8.63	2.20	16.45	22.43	33.99	207.74
Equipment:														
Furniture and office equipment.....	7,088.40	283.62	100.24	105.40	105.40	306.23	401.31	440.22	50.64	62.90	123.85	305.63	418.68	2,768.07
Books.....	27.00	.....	5.53	15.00	25.00	1.25	92.88	.....	.....	6.40	27.25	136.31	72.43	332.07
Office changes and improvements.....	541.08	7.00	.....	.....	.....	.....	.....	.....	.....	.....	7.00	.....	.....	14.00
Reimbursable expenditures (including return of overpayments).....	346.25	106.43	.....	.....	.....	47.80	56.60	.....	19.30	2.00	115.39	85.79	.....	493.31
	17,958.94	3,365.86	1,298.06	1,420.74	4,279.31	4,603.33	2,170.06	2,107.55	2,231.09	1,368.85	2,375.30	2,386.47	3,023.45	31,120.08
Total.....	\$62,498.08	18,143.38	15,584.56	15,919.90	18,996.89	19,802.05	17,885.60	16,436.65	16,816.87	16,264.64	17,207.37	17,072.80	18,160.90	207,722.71

¹ Estimated. ² Annual report for 1914 gave total expenses to Dec. 31, 1914, as \$10,229.87. This was procured by an estimate. The actual payments were \$10,498.08.

EXHIBIT H.—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS.

Earnings and current expenses of each Federal Reserve Bank and of the system as a whole from Nov. 16 to Dec. 31, 1914.

EARNINGS.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total Nov.-Dec., 1914.
Bills discounted—members.....	8828	\$13,927	\$2,729	\$2,077	\$4,780	\$2,808	\$17,814	\$9,463	\$1,322	\$1,984	\$2,679	\$2,761	\$62,883
Bills bought—bankers' acceptances.....													
Investments— United States bonds.....							107						107
Warrants.....							83						166
Sundry profits.....	63		10										
Total earnings.....	891	13,927	2,739	2,077	4,780	2,808	17,814	9,463	1,322	1,984	2,679	2,761	63,145

CURRENT EXPENSES.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total
Federal Advisory Council.....			31	188	48		251		151	60			729
Governors' conferences.....	59			137	27	63	163		178	196		301	1,124
Directors' fees.....	1,889	1,200	349	470	920	560	220	330	475	510		1,430	8,353
Legal fees.....				25	62								87
Salaries— Bank officers.....	3,217	10,367	3,461	3,750	4,783	2,663	6,200	6,687	3,419	3,321	4,125	5,193	57,126
Clerical staff.....	3,136	3,686	2,777	4,443	2,562	1,872	5,027	4,056	1,153	3,264	2,897	5,543	40,395
Special officers and watchmen.....		90	667	917	20	170	414	148	197	135	1	7	2,766
All other.....				200	181		568	158	53	128	116		1,424
Traveling expenses— Directors.....	663	531	17	786	742	313	243	8	225	809	45		4,280
Officers and clerks.....	440	265	26	163	70			493		146			1,646

Earnings and current expenses of each Federal Reserve Bank and of the system as a whole from Nov. 16 to Dec. 31, 1914—Continued.

CURRENT EXPENSES—Continued.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total Nov.-Dec., 1914.
Per diem allowances of directors.....		\$290	\$8	\$310	\$670	\$75	\$90	\$1,010	\$125	\$425		\$80	\$3,083
Telephone.....	\$71	78	36	215	42	23	48	45	54	70		33	828
Telegraph.....	10	13	34	122	72	44	14	30	65	213	58	158	6,687
Postage.....	351	198	196	611	367	287	1,274	643	509	975	826	440	1,668
Expressage.....	50	37	4	8	209			270	816	90		96	20,537
Rent.....	583	6,500	1,207	538	892	813	2,773	1,734	730	1,039	1,263	2,415	6,892
Insurance and premiums on fidelity bonds.....			760	1,247	108		53	163	2,173	166	1,904	324	606
Light, heat, and power.....			87		72		116		30	255		45	879
Printing and stationery.....	2,499	686	730	172	312	74	2,849	3,780	901	1,451	4,266	879	1,893
Repairs and alterations.....	1		66		286		354		69			1,124	7,367
All other expenses, not elsewhere specified.....	746	1,063	300	797	321	217	2,660	264	283	310	196	248	18,910
Total current expenses.....	13,710	26,004	10,756	16,148	12,791	7,124	22,342	19,866	11,647	13,553	15,763	18,207	153,765
Excess of current expenses over earnings.....	12,819	11,077	8,017	15,136	8,061	4,316	5,528	10,403	10,325	11,618	13,064	15,446	

Earnings and current expenses of each Federal Reserve Bank and of the system as a whole during the calendar year 1915.

EARNINGS.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Bills discounted—members.....	\$9,859	\$22,855	\$17,445	\$29,555	\$312,907	\$227,212	\$76,495	\$44,836	\$50,499	\$62,715	\$239,558	\$61,707	\$1,155,533
Bills bought—bankers' acceptances.....	49,093	97,135	29,005	11,281	868	89	24,069	6,387	5,248	7,832	.....	13,122	244,664
Investments:													
United States bonds.....	6,351	.....	8,268	15,516	.....	.....	75,591	7,488	18,793	20,631	635	18,431	171,724
Warrants.....	57,916	192,530	54,156	55,972	601	1,541	62,431	16,325	20,931	9,575	289	18,432	490,689
Commissions received.....	2,402	10,547	.....	.....	.....	201	.....	.....	.....	.....	.....	.....	13,150
Sundry profits.....	.....	9,161	12,732	824	484	4,609	14,523	3,105	4,148	648	1,505	1,508	64,597
Total earnings.....	125,556	332,218	113,276	113,148	314,850	233,652	263,409	78,141	99,609	101,401	241,987	113,200	2,140,457
Deduct commission paid.....	998	1,110	1,540	1,410	.....	.....	2,338	771	819	861	.....	.....	9,847
Earnings.....	124,558	331,108	131,736	111,738	314,850	233,652	251,071	77,370	98,790	100,540	241,987	113,200	2,130,610

CURRENT EXPENSES.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Assessment account expenses of Federal Reserve Board since July 1.....	\$9,610	\$21,841	\$10,523	\$11,901	\$6,710	\$4,833	\$13,258	\$5,577	\$4,753	\$5,928	\$5,511	\$7,871	\$108,315
Federal Advisory Council.....	410	1,000	343	386	87	403	902	150	697	297	1,387	951	7,013
Governors' conferences.....	484	1,440	912	774	851	895	785	931	1,003	728	524	2,419	11,746
Federal Reserve Agents' conferences.....	283	267	218	244	202	224	317	422	339	717	169	897	4,299
Directors' fees.....	6,938	7,340	3,153	2,090	3,260	4,925	2,430	4,490	3,410	2,970	1,900	1,320	44,086
Legal fees.....	1,200	2,250	1,969	2,500	941	1,304	5,500	.....	1,924	1,501	2,871	.....	21,960
Salaries:													
Bank officers.....	32,060	68,033	32,590	30,063	25,978	26,444	50,000	51,858	27,542	25,500	32,373	40,750	443,191
Clerical staff.....	18,641	66,708	31,309	36,089	24,736	24,674	42,225	35,164	20,745	31,681	26,265	24,032	382,259
Special officers and watchmen.....	322	2,860	5,384	1,133	1,026	2,484	4,777	1,650	1,799	2,319	1,146	113	25,013
All other.....	.....	.....	.....	.....	1,389	.....	3,434	1,185	.....	.....	1,808	.....	7,814

¹ Including \$20,503 appreciation on United States bonds.

Earnings and current expenses of each Federal Reserve Bank and of the system as a whole during the calendar year 1915—Continued.

CURRENT EXPENSES—Continued.

	Boston.	New York.	Phila- delphia.	Cleve- land.	Rich- mond.	Atlanta.	Chicago.	St. Louis.	Minne- apolia.	Kansas City.	Dallas.	San Fran- cisco.	Total.
Traveling expenses:													
Directors.....	\$1,072	\$2,889	\$1,174	\$2,170	\$1,951	\$3,579	\$1,468	\$1,380	\$953	\$3,854	\$1,866	\$168	\$22,494
Officers and clerks.....	755	980	217	1,115	455	1,463	927	935	674	369	1,022	1,306	10,168
Per diem allowances of directors.....	1,370	2,290	1,068	1,420	1,880	2,518	790	1,170	940	3,891	1,332	330	18,999
Telephone.....	1,017	1,614	959	894	306	291	1,264	767	543	537	581	407	9,180
Telegraph.....	125	410	63	190	271	504	529	663	274	359	346	203	3,967
Postage.....	1,963	4,228	2,848	3,224	2,911	3,468	4,311	4,892	1,864	9,372	3,047	1,471	49,629
Expressage.....	2,167	797	1,572	563	2,712	8	2,101	690	345	4	5,729	220	16,908
Rent.....	13,400	39,497	7,720	6,368	5,823	7,852	25,176	16,726	5,000	8,500	8,405	15,656	160,152
Insurance and premiums on fidelity bonds.....	1,345	1,603	2,761	2,268	1,862	1,852	2,731	1,822	1,144	1,188	5,401	667	24,674
Light, heat, and power.....	971	.....	1,128	.....	672	91	1,294	.....	68	966	178	200	5,668
Printing and stationery.....	2,788	10,782	3,291	1,375	4,039	4,729	7,507	4,833	3,808	7,721	5,116	4,876	60,864
Repairs and alterations.....	474	243	535	40	1,780	107	995	136	507	87	98	3,089	8,041
All other expenses not elsewhere specified.....	5,028	19,350	1,198	3,153	1,677	3,669	4,244	903	2,035	3,892	2,912	2,268	50,319
Total current expenses.....	102,433	266,342	110,835	108,080	91,519	96,316	176,965	126,313	89,367	112,401	109,875	109,213	1,490,729
Excess of earnings over current expenses..	22,135	74,766	20,801	3,688	228,331	137,236	74,106	1 96,943	18,423	1 11,861	132,112	3,987	699,881

1 Deficit of operations.

EXPENSES OF THE FEDERAL ADVISORY COUNCIL AND OF THE CONFERENCES OF THE GOVERNORS AND OF THE FEDERAL RESERVE AGENTS FROM
DATE OF ORGANIZATION TO DEC. 31, 1915.

Below are given the expenses of the meetings of the Federal Advisory Council and of the conferences of Federal Reserve Agents and of the Governors of the Federal Reserve Banks. These conferences have been held in order to facilitate, through exchange of views, the development of the best methods of dealing with the problems and management of the Federal Reserve Banks and the Federal Reserve Agents' offices. Two conferences of the Federal Reserve Agents have been held and five conferences of the Governors of the Federal Reserve Banks.¹

Federal Reserve Bank.	Federal Advisory Council.	Governors' conferences.	Federal Reserve Agents' conferences.	Total.	Federal Reserve Bank.	Federal Advisory Council.	Governors' conferences.	Federal Reserve Agents' conferences.	Total.
Boston.....	\$410	\$543	\$283	\$1,236	St. Louis.....	\$150	\$931	\$422	\$1,503
New York.....	1,000	1,440	267	2,707	Minneapolis.....	848	1,181	339	2,368
Philadelphia.....	874	912	218	1,504	Kansas City.....	357	924	717	1,998
Cleveland.....	574	911	244	1,729	Dallas.....	1,387	694	169	2,080
Richmond.....	135	878	202	1,215	San Francisco.....	951	2,720	897	4,568
Atlanta.....	403	968	224	1,595	Total.....	7,742	12,870	4,299	24,911
Chicago.....	1,153	948	317	2,418					

¹ These items of expense are included in the general tabular summary of expenses and earnings herewith given. They are segregated for convenience of reference.

Organization expenses, also cost of Federal Reserve notes and equipment for the period November, 1914, to December 31, 1915.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Expenses prior to Nov. 16, 1914.....	\$12,999	\$30,987	\$13,305	\$15,866	\$12,012	\$15,255	\$16,641	\$5,854	\$13,205	\$15,699	\$14,556	\$19,809	\$186,168
Assessments, account expenses Federal Reserve Board, prior to July 1, 1915.....	17,266	41,368	18,396	21,511	11,556	8,342	23,307	9,849	8,533	9,880	10,164	13,817	193,989
Total organization expenses.....	30,265	72,355	31,701	37,377	23,568	23,597	39,948	15,703	21,738	25,579	24,720	33,626	380,157
Cost of Federal Reserve notes.....	50,535	345,887	55,772	51,772	31,766	34,058	65,709	34,483	38,634	25,057	28,844	42,188	804,705
Cost of furniture and equipment:													
Equipment.....	9,543	8,941	4,538	4,940	3,899	2,726	9,351	9,990	6,077	5,374	6,376	1,099	72,794
Vaults.....				9,540		1,496	6,960		44,351	15,071	19,466	600	97,494
Machines.....	1,804	8,145	9,291	4,372	7,297	4,323	7,364	10,013	3,682	12,314	7,388	4,753	80,746
Other.....		9,894	4,692	1,335	653		2,535	373	49	14,070	25		33,696
Total cost of furniture and equipment.....	11,347	26,980	18,491	20,187	11,849	8,545	26,210	20,346	54,159	46,829	33,255	6,422	284,620

Organization expenses November, 1914, to December 31, 1915.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Expenses prior to Nov. 16, 1914.....	\$12,999	\$30,967	\$13,306	\$15,866	\$12,012	\$15,255	\$16,641	\$5,864	\$13,205	\$15,699	\$14,556	\$19,809	\$186,168
Assessment, account expenses Federal Reserve Board prior to July 1, 1915.....	17,266	41,368	18,366	21,511	11,566	8,342	28,307	9,849	8,533	9,890	10,164	13,817	193,989
Cost of Federal Reserve notes used prior to Dec. 31, 1915, not offset by current earnings.....	2,586	1 80,000	.....	9,014	.....	.....	.....	12,120	10,608	13,805	.....	7,273	105,401
Deficiency in earnings to Dec. 31, 1915.....	.....	.....	.....	9,383	.....	.....	.....	69,346	.....	23,479	.....	11,459	113,667
Depreciation, furniture and equipment.....	1,752	.....	.....	.....	.....	.....	.....	.....	.....	5,000	.....	.....	6,752
Total.....	34,603	122,335	31,701	55,774	23,568	23,597	39,948	97,169	32,341	67,863	24,720	52,358	605,977
Less amounts charged against current earnings to Dec. 31, 1915.....	.....	.....	184	.....	23,568	23,597	39,948	.....	.....	.....	24,720	.....	112,017
Organization expenses Jan 1, 1916.....	34,603	122,335	31,517	55,774	.....	.....	.....	97,169	32,341	67,863	.....	52,358	493,960

¹Cost of notes used from July 1 to Dec. 31, \$63,800, charged to current expenses.

Cost of Federal Reserve notes, November, 1914, to Dec. 31, 1915.

	Boston.	New York.	Philadel- phia.	Cleve- land.	Rich- mond.	Atlanta.	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	Total.
Cost of Federal Reserve notes up to Dec. 31, 1915.....	\$50,535	\$945,887	\$55,772	\$51,772	\$31,766	\$34,053	\$65,709	\$34,438	\$33,634	\$25,087	\$23,844	\$42,138	\$204,705
Less cost of notes used up to Dec. 31, 1915:													
Charged to current expenses.....	9,316	63,800	12,600	.....	14,368	24,556	5,329	.....	8,008	.....	13,920	.....	157,017
Charged organization expense.....	2,586	50,000	.....	9,014	.....	.....	.....	12,120	10,403	13,805	.....	7,273	105,401
Total.....	11,902	113,800	12,600	9,014	14,368	24,556	5,329	12,120	18,701	13,805	13,920	7,273	262,415
Cost of unissued Federal Reserve notes Jan. 1, 1916.....	38,633	232,087	43,172	42,753	17,368	9,502	60,380	22,863	19,933	11,252	9,924	34,915	542,287

Cost of furniture and equipment (including vaults), November, 1914, to Dec. 31, 1915.

	Boston.	New York.	Philadel- phia.	Cleve- land.	Rich- mond.	Atlanta.	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	Total.
Cost of equipment.....	\$11,347	\$23,980	\$13,491	\$20,187	\$11,949	\$3,545	\$26,210	\$20,346	\$54,159	\$46,829	\$33,255	\$6,422	\$294,020
Depreciation allowance.....	1,752	.....	.....	.....	2,249	2,317	3,210	.....	.....	5,000	.....	.....	14,628
Balance Jan. 1, 1916.....	9,593	26,980	18,491	20,187	9,500	6,223	22,000	20,346	54,159	41,829	33,255	6,422	269,992

Recapitulation of earnings and expenses of each Federal Reserve Bank and of the system as a whole from organization to Dec. 31, 1915.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Earnings:													
Nov. 16 to Dec. 31, 1914.....	\$991	\$13,077	\$2,739	\$2,077	\$4,730	\$2,808	\$17,814	\$9,493	\$1,322	\$1,934	\$2,679	\$2,761	\$83,145
Jan. 1 to Dec. 31, 1915.....	124,568	331,108	111,233	111,738	314,860	233,652	251,071	77,370	98,790	100,540	241,987	113,200	2,110,107
Appreciation on United States bonds.....		20,503											20,503
Total.....	125,459	345,035	134,475	113,815	319,590	236,460	268,885	86,833	100,112	102,474	244,666	115,961	2,133,755
Current expenses:													
Nov. 16 to Dec. 31, 1914.....	13,710	25,004	10,766	15,148	12,791	7,124	23,342	19,866	11,647	13,552	15,793	18,207	186,910
Jan. 1 to Dec. 31, 1915.....	102,433	256,342	110,935	108,050	91,519	96,316	176,965	136,313	80,367	112,401	109,875	106,213	1,490,729
Total.....	116,143	281,346	121,661	123,198	104,310	103,440	200,307	156,179	92,014	125,953	125,638	127,420	1,677,639
Excess of earnings.....	9,316	63,689	12,794		215,270	133,020	68,578		8,066		119,028		516,116
Excess of current expenses.....				9,363				60,346		23,479		11,459	
Amortization:													
Cost of Federal Reserve notes used.....	11,902	113,800	12,600	9,014	14,368	24,556	5,329	12,120	18,701	13,805	18,920	7,273	262,418
Furniture and equipment.....	1,752				2,349	2,317	3,210			5,000			14,628
Total.....	13,654	113,800	12,600	9,014	16,717	26,873	8,539	12,120	18,701	18,805	18,920	7,273	277,046
Dividends paid.....					151,940						65,523		217,463
Organization expenses to Dec. 31, 1915.....	30,265	72,335	31,701	37,377	23,568	23,597	39,948	15,703	21,738	26,579	24,720	33,026	380,157
Total.....	43,919	186,135	44,301	46,391	192,255	50,470	48,487	27,823	40,439	44,384	109,163	40,890	874,668
Deduct excess earnings.....	9,316	63,689	12,794		215,270	133,020	68,578		8,066		119,028		516,116
Add deficit in earnings.....				9,363				60,346		23,479		11,459	
Organization expenses, Jan. 1, 1916.....	84,003	122,335	31,517	55,774				97,169	32,341	67,863		52,358	493,960
Profit and loss account credit.....					28,015	82,550	20,091				9,865		135,521
Profit and loss account debit.....		111											111

¹ Cost of Federal Reserve notes used from July 1 to Dec. 31, 1915, and not offset by earnings—\$111—carried to profit and loss.

Exhibit I.—ESTIMATED EXPENSE AND DIVIDEND REQUIREMENTS OF FEDERAL RESERVE BANKS.¹

The accompanying table presents the capital, estimated expenses, and dividend requirements of each of the banks:

Paid-in capital, estimated expenses, and dividend requirements of the Federal Reserve Banks.

Bank.	Paid-in capital.	Reserve deposits.	Total capital and deposits.	Estimated yearly—		Total expenses and dividend requirements.
				Expenses.	Dividend requirements.	
Boston.....	\$5,162,000	\$18,662,000	\$23,814,000	\$110,000	\$310,000	\$420,000
New York.....	10,982,000	147,299,000	158,281,000	300,000	659,000	959,000
Philadelphia.....	5,270,000	18,637,000	23,907,000	130,000	316,000	446,000
Cleveland.....	5,946,000	17,272,000	23,218,000	120,000	357,000	477,000
Richmond.....	3,366,000	7,544,000	10,910,000	100,000	202,000	302,000
Atlanta.....	2,419,000	5,202,000	7,621,000	100,000	145,000	245,000
Chicago.....	6,625,000	47,269,000	53,894,000	180,000	398,000	578,000
St. Louis.....	2,797,000	13,068,000	15,865,000	125,000	168,000	293,000
Minneapolis.....	2,487,000	8,736,000	11,223,000	86,000	149,000	235,000
Kansas City.....	3,020,000	10,191,000	13,211,000	120,000	181,000	301,000
Dallas.....	2,757,000	6,002,000	8,759,000	130,000	165,000	295,000
San Francisco.....	3,931,000	12,444,000	16,375,000	110,000	236,000	346,000
Total.....	54,762,000	312,316,000	367,078,000	1,611,000	3,286,000	4,897,000

Portion of funds to be kept employed to meet expenses.

Bank.	At 3 per cent net.	Per cent of paid-in capital.	At 4 per cent net.	Per cent of paid-in capital.	At 5 per cent net.	Per cent of paid-in capital.	At 6 per cent net.	Per cent of paid-in capital.	Funds invested on Sept. 3, 1915.	Per cent of paid-in capital.
Boston.....	\$3,666,000	71	\$2,750,000	53	\$2,200,000	42	\$1,833,000	35	\$6,574,000	127
New York.....	10,000,000	91	7,500,000	69	6,000,000	55	5,000,000	45	15,181,000	138
Philadelphia.....	4,333,000	82	3,250,000	61	2,600,000	50	2,167,000	41	5,041,000	96
Cleveland.....	4,000,000	67	3,000,000	51	2,400,000	40	2,000,000	34	3,563,000	60
Richmond.....	3,333,000	99	2,500,000	74	2,000,000	60	1,666,000	50	8,463,000	251
Atlanta.....	3,333,000	137	2,500,000	103	2,000,000	83	1,666,000	69	5,312,000	220
Chicago.....	6,000,000	91	4,500,000	68	3,600,000	54	3,000,000	45	9,234,000	139
St. Louis.....	4,167,000	149	3,125,000	112	2,500,000	89	2,083,000	74	2,964,000	106
Minneapolis.....	2,866,000	115	2,150,000	86	1,720,000	69	1,433,000	58	4,120,000	166
Kansas City.....	4,000,000	133	3,000,000	99	2,400,000	79	2,000,000	66	3,686,000	122
Dallas.....	4,333,000	157	3,250,000	118	2,600,000	94	2,167,000	79	7,061,000	256
San Francisco.....	3,666,000	93	2,750,000	70	2,200,000	56	1,833,000	47	4,613,000	117

Portion of funds to be kept employed to meet expenses and dividend requirements.

Bank.	At 3 per cent net.	Per cent of paid-in capital.	At 4 per cent net.	Per cent of paid-in capital.	At 5 per cent net.	Per cent of paid-in capital.	At 6 per cent net.	Per cent of paid-in capital.
Boston.....	\$14,000,000	271	\$10,500,000	203	\$8,400,000	163	\$7,000,000	135
New York.....	31,967,000	291	23,975,000	218	19,180,000	175	15,983,000	145
Philadelphia.....	14,867,000	282	11,150,000	211	8,920,000	169	7,434,000	141
Cleveland.....	15,900,000	267	11,925,000	200	9,540,000	160	7,950,000	134
Richmond.....	10,067,000	299	7,550,000	224	6,040,000	179	5,033,000	150
Atlanta.....	8,167,000	338	6,125,000	253	4,900,000	202	4,084,000	169
Chicago.....	19,266,000	291	14,450,000	218	11,560,000	174	9,633,000	146
St. Louis.....	9,767,000	349	7,325,000	262	5,860,000	209	4,884,000	175
Minneapolis.....	7,833,000	315	5,875,000	236	4,700,000	189	3,916,000	157
Kansas City.....	10,033,000	332	7,525,000	249	6,020,000	199	5,017,000	166
Dallas.....	9,833,000	356	7,375,000	267	5,900,000	214	4,916,000	178
San Francisco.....	11,533,000	293	8,650,000	220	6,920,000	176	5,767,000	147

¹ Published in Federal Reserve Bulletin, Oct. 1, 1915.

Exhibit J.—PERSONNEL AND SALARIES.*Annual salaries paid by Federal Reserve Banks in the year ending Dec. 31, 1915.***FEDERAL RESERVE BANK OF BOSTON.**

Governor..... \$15,000
 Federal Reserve Agent. 10,000

\$25,000

STAFF.

1 at \$5,000.....	5,000
1 at \$3,500.....	3,500
2 at \$1,800.....	3,600
3 at \$1,600.....	4,800
1 at \$1,200.....	1,200
1 at \$1,000.....	1,000
4 at \$900.....	3,600
2 at \$780.....	1,560
2 at \$600.....	1,200
1 at \$420.....	420
18	25,880

Total..... 50,880

Deputy Federal Reserve Agent \$25 per day when serving in the absence of the Federal Reserve Agent.
 Counsel, \$1,200 per annum.

FEDERAL RESERVE BANK OF NEW YORK.

Governor..... \$30,000
 Federal Reserve Agent. 16,000

\$46,000

STAFF.

1 at \$12,000.....	12,000
1 at \$10,000.....	10,000
1 at \$6,000.....	6,000
1 at \$4,800.....	4,800
1 at \$4,200.....	4,200
1 at \$4,000.....	4,000
1 at \$3,500.....	3,500
1 at \$2,700.....	2,700
2 at \$2,400.....	4,800
1 at \$2,000.....	2,000
3 at \$1,800.....	5,400
7 at \$1,500.....	10,500
1 at \$1,400.....	1,400
7 at \$1,200.....	8,400
1 at \$1,140.....	1,140
1 at \$1,100.....	1,100
1 at \$1,080.....	1,080
1 at \$1,040.....	1,040
1 at \$1,000.....	1,000
3 at \$936.....	2,808
9 at \$900.....	8,100
1 at \$840.....	840

FEDERAL RESERVE BANK OF NEW YORK—Continued.**STAFF—continued.**

1 at \$800.....	\$800
2 at \$720.....	1,440
1 at \$700.....	700
1 at \$624.....	624
3 at \$600.....	1,800
2 at \$540.....	1,080
3 at \$520.....	1,560
1 at \$500.....	500
2 at \$480.....	960
2 at \$450.....	900
1 at \$466.....	466
4 at \$360.....	1,440
3 at \$300.....	900
73	\$109,978

Total..... 155,978

FEDERAL RESERVE BANK OF PHILADELPHIA.

Governor..... \$20,000
 Federal Reserve Agent. 10,000

\$30,000

STAFF.

1 at \$5,000.....	5,000
1 at \$3,000.....	3,000
1 at \$2,500.....	2,500
1 at \$2,400.....	2,400
3 at \$1,800.....	5,400
1 at \$1,600.....	1,600
2 at \$1,500.....	3,000
1 at \$1,100.....	1,100
1 at \$1,080.....	1,080
1 at \$1,040.....	1,040
1 at \$1,020.....	1,020
1 at \$910.....	910
6 at \$900.....	5,400
4 at \$840.....	3,360
6 at \$780.....	4,680
3 at \$720.....	2,160
1 at \$624.....	624
1 at \$600.....	600
1 at \$480.....	480
2 at \$360.....	720
2 at \$260.....	520
1 at \$234.....	234
1 at \$208.....	208
43	47,036

Total..... 77,036

Annual salaries paid by Federal Reserve Banks in the year ending Dec. 31, 1914—Contd.

**FEDERAL RESERVE BANK OF
CLEVELAND.**

Governor.....	\$18, 000	
Federal Reserve Agent..	10, 000	
		<u>\$28, 000</u>
STAFF.		
1 at \$4,000.....	4, 000	
2 at \$3,000.....	6, 000	
2 at \$2,500.....	5, 000	
2 at \$2,400.....	4, 800	
2 at \$1,800.....	3, 600	
2 at \$1,500.....	3, 000	
4 at \$1,200.....	4, 800	
1 at \$1,000.....	1, 000	
1 at \$960.....	960	
1 at \$900.....	900	
1 at \$840.....	840	
2 at \$780.....	1, 560	
1 at \$720.....	720	
1 at \$660.....	660	
1 at \$600.....	600	
3 at \$480.....	1, 440	
1 at \$420.....	420	
1 at \$240.....	240	
		<u>40, 540</u>
29 Total.....		68, 540

FEDERAL RESERVE BANK OF RICHMOND.

Governor.....	\$10, 000	
Federal Reserve Agent..	10, 000	
		<u>\$20, 000</u>
STAFF.		
1 at \$4,000.....	4, 000	
1 at \$3,500.....	3, 500	
1 at \$3,000.....	3, 000	
4 at \$2,000.....	8, 000	
2 at \$1,800.....	3, 600	
1 at \$1,200.....	1, 200	
2 at \$1,000.....	2, 000	
3 at \$900.....	2, 700	
1 at \$840.....	840	
2 at \$780.....	1, 560	
1 at \$720.....	720	
6 at \$600.....	3, 600	
2 at \$480.....	960	
1 at \$300.....	300	
		<u>35, 980</u>
28 Total.....		55, 980

FEDERAL RESERVE BANK OF ATLANTA.

Governor.....	\$9, 000	
Federal Reserve Agent..	7, 500	
		<u>\$16, 500</u>
STAFF.		
1 at \$3,600.....	3, 600	
1 at \$2,500.....	2, 500	

**FEDERAL RESERVE BANK OF ATLANTA—
Continued.**

STAFF—continued.		
2 at \$2,400.....	\$4, 800	
1 at \$2,000.....	2, 000	
3 at \$1,800.....	5, 400	
3 at \$1,200.....	3, 600	
3 at \$900.....	2, 700	
2 at \$780.....	1, 560	
1 at \$624.....	624	
4 at \$600.....	2, 400	
1 at \$540.....	540	
1 at \$480.....	480	
2 at \$300.....	600	
		<u>\$30, 804</u>
25 Total.....		47, 304

Counsel, \$50 per month.
Secretary (serves only at
monthly meetings of
board), \$300 per annum.

FEDERAL RESERVE BANK OF CHICAGO.

Governor.....	\$20, 000. 00	
Federal Reserve Agent.....	10, 000. 00	
		<u>\$30, 000. 00</u>
STAFF.		
1 at \$10,000.....	10, 000. 00	
1 at \$6,000.....	6, 000. 00	
1 at \$4,000.....	4, 000. 00	
1 at \$2,500.....	2, 500. 00	
1 at \$2,400.....	2, 400. 00	
1 at \$1,900.....	1, 900. 00	
1 at \$1,800.....	1, 800. 00	
4 at \$1,500.....	6, 000. 00	
1 at \$1,400.....	1, 400. 00	
1 at \$1,320.....	1, 320. 00	
1 at \$1,300.....	1, 300. 00	
7 at \$1,200.....	8, 400. 00	
1 at \$1,140.....	1, 140. 00	
1 at \$1,100.....	1, 100. 00	
1 at \$1,080.....	1, 080. 00	
2 at \$1,000.....	2, 000. 00	
1 at \$960.....	960. 00	
2 at \$900.....	1, 800. 00	
4 at \$780.....	3, 120. 00	
5 at \$720.....	3, 600. 00	
1 at \$624.....	624. 00	
3 at \$600.....	1, 800. 00	
1 at \$540.....	540. 00	
1 at \$480.....	480. 00	
2 at \$375.....	750. 00	
1 at \$286.08.....	286. 08	
1 at \$260.....	260. 00	
		<u>66, 560. 08</u>
48 Total.....		96, 560. 08

*Annual salaries paid by Federal Reserve Banks in the year ending Dec. 31, 1915—Contd.***FEDERAL RESERVE BANK OF ST. LOUIS.**

Governor..... \$20,000
 Federal Reserve Agent. 10,000
 \$30,000

STAFF.
 1 at \$7,500..... 7,500
 1 at \$6,000..... 6,000
 2 at \$3,200..... 6,400
 1 at \$2,700..... 2,700
 1 at \$2,400..... 2,400
 2 at \$2,000..... 4,000
 2 at \$1,500..... 3,000
 3 at \$1,200..... 3,600
 1 at \$1,080..... 1,080
 1 at \$960..... 960
 4 at \$900..... 3,600
 2 at \$780..... 1,560
 2 at \$720..... 1,440
 1 at \$660..... 660
 5 at \$600..... 3,000
 1 at \$540..... 540
 3 at \$480..... 1,440
 1 at \$420..... 420
 1 at \$300..... 300
 1 at \$240..... 240
 1 at \$60..... 60
 50,900

37 Total..... 80,900

FEDERAL RESERVE BANK OF MINNEAPOLIS.

Governor..... \$15,000
 Federal Reserve Agent. 7,500
 \$22,500

STAFF.
 2 at \$3,000..... 6,000
 1 at \$2,500..... 2,500
 1 at \$2,000..... 2,000
 1 at \$1,600..... 1,600
 2 at \$1,500..... 3,000
 2 at \$1,200..... 2,400
 1 at \$1,020..... 1,020
 1 at \$1,000..... 1,000
 2 at \$900..... 1,800
 1 at \$780..... 780
 2 at \$480..... 960
 1 at \$360..... 360
 23,420

17 Total..... 45,920
 Counsel, \$1,500 per annum.

FEDERAL RESERVE BANK OF KANSAS CITY.

Governor..... \$7,500
 Federal Reserve Agent. 7,500
 \$15,000

STAFF.
 1 at \$6,000..... 6,000
 1 at \$2,500..... 2,500
 1 at \$2,100..... 2,100
 1 at \$2,000..... 2,000
 1 at \$1,800..... 1,800
 1 at \$1,620..... 1,620
 2 at \$1,080..... 2,160

FEDERAL RESERVE BANK OF KANSAS CITY—Continued.

STAFF—continued.

4 at \$1,020..... \$4,080
 2 at \$960..... 1,920
 3 at \$900..... 2,700
 4 at \$840..... 3,360
 3 at \$780..... 2,340
 5 at \$720..... 3,600
 3 at \$600..... 1,800
 1 at \$540..... 540
 2 at \$480..... 960
 2 at \$400..... 800
 1 at \$360..... 360
 \$40,640

38 Total..... 55,640

FEDERAL RESERVE BANK OF DALLAS.

Governor..... \$10,000
 Federal Reserve Agent. 7,500
 \$17,500

STAFF.
 1 at \$6,000..... 6,000
 2 at \$5,000..... 10,000
 1 at \$2,500..... 2,500
 2 at \$2,400..... 4,800
 1 at \$2,100..... 2,100
 5 at \$1,500..... 7,500
 1 at \$1,320..... 1,320
 2 at \$1,200..... 2,400
 1 at \$1,020..... 1,020
 3 at \$900..... 2,700
 5 at \$720..... 3,600
 1 at \$600..... 600
 1 at \$480..... 480
 1 at \$468..... 468
 1 at \$420..... 420
 1 at \$365..... 365
 46,273

29 Total..... 63,773

FEDERAL RESERVE BANK OF SAN FRANCISCO.

Governor..... \$15,000
 Federal Reserve Agent. 12,000
 \$27,000

STAFF.
 1 at \$6,000..... 6,000
 1 at \$4,200..... 4,200
 1 at \$3,000..... 3,000
 1 at \$2,500..... 2,500
 2 at \$2,400..... 4,800
 2 at \$1,800..... 3,600
 4 at \$1,500..... 6,000
 1 at \$1,200..... 1,200
 2 at \$1,020..... 2,040
 2 at \$900..... 1,800
 1 at \$780..... 780
 1 at \$720..... 720
 1 at \$480..... 480
 37,120

20 Total..... 64,

SALARIES OF OFFICERS AND EMPLOYEES OF THE FEDERAL RESERVE BOARD AS OF
Dec. 31, 1915.

OFFICE OF THE SECRETARY.

H. Parker Willis, secretary.....	\$7,500	
Sherman Allen, assistant secretary and fiscal agent.....	6,000	
Staff:		
2 at \$1,800.....	3,600	
1 at \$1,600.....	1,600	
3 at \$1,200.....	3,600	
3 at \$1,000.....	3,000	
2 at \$900.....	1,800	
1 at \$780.....	780	
1 at \$600.....	600	
		\$28,480

OFFICES OF MEMBERS OF THE BOARD.

Staff:		
6 at \$2,500.....	15,000	
5 at 1,200.....	6,000	21,000

OFFICE OF COUNSEL.

Milton C. Elliott, counsel.....	7,500	
J. P. Cotton, consulting counsel.....	5,000	
Staff:		
1 at \$3,600.....	3,600	
1 at \$3,300.....	3,300	
1 at \$1,800.....	1,800	
1 at \$1,200.....	1,200	22,400

DIVISION OF AUDIT AND EXAMINATION.

Joseph A. Broderick, chief of division.....	6,000	
Staff:		
1 at \$3,600.....	3,600	
1 at \$2,250.....	2,250	
2 at \$1,500.....	3,000	
2 at \$1,000.....	2,000	16,850

DIVISION OF REPORTS AND STATISTICS.

Morris Jacobson, chief of division.....	3,600	
Staff:		
1 at \$1,200.....	1,200	
1 at \$1,000.....	1,000	
2 at \$900.....	1,800	7,600

DIVISION OF ISSUE.

W. E. Buell, chief of division.....	2,500	
Staff:		
1 at \$1,800.....	1,800	
1 at \$1,000.....	1,000	
2 at \$900.....	1,800	
1 at \$720.....	720	7,820

MESSENGERS.

1 at \$780.....	780	
4 at \$720.....	2,880	
1 at \$120.....	120	3,780

CHARWOMEN.

3 at \$240.....	720	720
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Total..... 108,650

SALARIES OF BANK EXAMINERS EFFECTIVE IN THE YEAR ENDING DEC. 31, 1915.¹

Section 21 of the Federal Reserve Act directs the Federal Reserve Board, upon recommendation of the Comptroller of the Currency, to fix the salaries of all (national) bank examiners and make a report thereof to Congress, the expense of examinations to be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examinations. All national bank examiners are appointed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury. The list follows:

DISTRICT NO. 1—BOSTON.

(432 national member banks.)

J. D. Brennan, chief examiner.....	\$8,000	
6 examiners, at \$3,000.....	18,000	
		\$26,000

DISTRICT NO. 2—NEW YORK.

(612 national member banks.)

Charles Starek, chief examiner.....	15,000	
1 examiner, at \$5,000; 1 examiner, at \$4,200; 2 examiners, at \$3,600; 1 examiner, at \$3,000; 1 examiner, at \$2,400.....	21,800	
		36,800

DISTRICT NO. 3—PHILADELPHIA.

(628 national member banks.)

E. I. Johnson, chief examiner.....	7,500	
1 examiner, at \$4,200; 1 examiner, at \$3,600; 1 examiner, at \$3,000; 3 examiners, at \$2,400.....	18,000	
		25,500

DISTRICT NO. 4—CLEVELAND.

(761 national member banks.)

S. H. L. Cooper, chief examiner.....	7,500	
1 examiner, at \$5,000; 1 examiner, at \$4,200; 4 examiners, at \$3,600; 2 examiners, at \$2,400.....	28,400	
		35,900

DISTRICT NO. 5—RICHMOND.

(502 national member banks.)

Thomas P. Howard, chief examiner.....	6,000	
1 examiner, at \$6,000; 1 examiner, at \$3,600; 5 examiners, at \$3,000; 1 examiner, at \$2,400.....	27,000	
		33,000

DISTRICT NO. 6—ATLANTA.

(382 national member banks.)

C. H. Abbott, chief examiner.....	6,000	
3 examiners, at \$3,600; 1 examiner, at \$3,000; 1 examiner, at \$2,400.....	16,200	
		22,200

DISTRICT NO. 7—CHICAGO.

(983 national member banks.)

Sherrill Smith, chief examiner.....	12,000	
1 examiner, at \$5,000; 1 examiner, at \$4,200; 2 examiners, at \$3,600; 6 examiners, at \$3,000; 2 examiners, at \$2,400.....	39,200	
		51,200

¹ Two examiners, whose resignations took effect Dec. 31, 1915, omitted from list.

DISTRICT NO. 8—ST. LOUIS.

(468 national member banks.)

C. E. French, chief examiner.....	\$10,000	—
1 examiner, at \$4,200; 3 examiners, at \$3,000; 1 examiner, at \$2,400.....	15,600	\$25,600

DISTRICT NO. 9—MINNEAPOLIS.

(733 national member banks.)

Peter M. Kerst, chief examiner.....	7,500	
1 examiner, at \$4,200; 3 examiners, at \$3,600; 2 examiners, at \$3,000; 3 examiners, at \$2,400.....	28,200	35,700

DISTRICT NO. 10—KANSAS CITY.

(948 national member banks.)

J. D. Rising, chief examiner.....	6,000	
1 examiner, at \$4,200; 1 examiner, at \$3,600; 4 examiners, at \$3,000; 6 examiners, at \$2,400.....	34,200	40,200

DISTRICT NO. 11—DALLAS.

(637 national member banks.)

J. C. Chidsey, chief examiner.....	6,000	
1 examiner, at \$3,600; 3 examiners, at \$3,000; 2 examiners, at \$2,400.....	17,400	23,400

DISTRICT NO. 12—SAN FRANCISCO.

(527 national member banks.)

Claud Gatch, chief examiner.....	7,500	
2 examiners, at \$6,000; 3 examiners, at \$4,200; 1 examiner, at \$3,600; 2 examiners, at \$2,400.....	33,000	40,500
Total.....		396,000

RECAPITULATION.

Examining staff:

Chief examiners—

At \$15,000 per annum.....	1	
At \$12,000 per annum.....	1	
At \$10,000 per annum.....	1	
At \$8,000 per annum.....	1	
At \$7,500 per annum.....	4	
At \$6,000 per annum.....	4	
Total chief examiners.....	12	
Salaries, chief examiners.....		99,000

Other examiners—

At \$6,000 per annum.....	3	
At \$5,000 per annum.....	3	
At \$4,200 per annum.....	10	
At \$3,600 per annum.....	19	
At \$3,000 per annum.....	32	
At \$2,400 per annum.....	24	
Total other examiners.....	91	
Salaries, other examiners.....		297,000
Total examining staff.....	103	
Total salaries.....		396,000

Exhibit K.—PROCEDURE IN PASSING UPON APPLICATIONS OF NATIONAL BANKS FOR FIDUCIARY POWERS UNDER SECTION 11 (K) OF THE FEDERAL RESERVE ACT.

The following instructions were issued to all Federal Reserve Agents:

By direction of the Board this letter is sent for your guidance in passing upon the applications of national banks for the privilege of exercising the powers of trustee, registrar, executor, and administrator.

All applications from applying banks must be transmitted first to the Federal Reserve Agent of the district in which the bank is located, who will forward the applications with his recommendations to the Federal Reserve Board. The Federal Reserve Agent in making his recommendations is expected to take into consideration the general standing of the bank, character of its management, and its fitness to exercise the fiduciary powers applied for, as well as the benefits that the community in which the bank is located will be apt to receive from the exercise of such powers by the bank. Special weight will be given by the Federal Reserve Board to the approval or disapproval of the Federal Reserve Agent. Applications that are recommended by him for approval will be referred by the Board to a committee which, after a careful examination of the records on file in the office of the Comptroller of the Currency relating to the business and the management of the bank, will report to the Board favorably or adversely, as the case may be, upon the application.

In addition to the points above outlined the Board's committee considers the strength of the bank as shown by its statements and by the examiner's reports, and especial weight is attached to the observance on the part of the bank of the requirements of law and of the regulations and admonitions which are sent out from time to time by the Comptroller's office.

It is not, as a rule, deemed advisable to grant permits for the exercise of fiduciary powers to a national bank—

- (1) Where its surplus does not amount to at least 20 per cent of its capital stock.
- (2) Where reports show that it is carrying an excessive amount of past-due or doubtful paper.
- (3) Where it is carrying real estate loans not authorized by law.
- (4) Where it is shown that the bank is in the habit of granting excessive overdrafts continuously.
- (5) Where the loans of the bank are not well distributed, by reason of an excessive proportion of the total loans having been granted to a few interests, or where loans made to officers and directors are too large in proportion to the total amount of loans, or are not well secured.
- (6) Where the examiners have reported that the directors do not direct or are lax or negligent in their attendance at board meetings or in giving attention to the bank's management and direction.

Federal Reserve Agents in making their recommendations are expected to pay particular attention to the strength of the management of the bank from a moral standpoint, and should decline to recommend any application where they feel that the officers of the bank as individuals would not be worthy of being intrusted with the management of trust funds or the administration of estates.

Exhibit L.—RESERVE REQUIREMENTS FOR STATE BANKS AND TRUST COMPANIES.

Summary of reserve requirements for State banks and trust companies.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
Alabama: Every bank, firm, person, or corporation doing a banking business."	15 per cent of demand deposits.	Two-fifths cash on hand, remainder (three-fifths) on deposit with banks and bankers.	Foregoing is statute of Apr. 2, 1911. Amendments to Act in effect Feb. 15, 1915, do not change reserve requirement.
Arizona: State banks. Savings banks.	15 per cent of all deposits. No fixed requirement at present, although State comptroller may, in his discretion, impose same.	Two-fifths cash in vault, three-fifths with approved reserve agents.	Requirements specified for Arizona are those prescribed by the Revised Statutes of Arizona, 1913. No changes since made.
Arkansas: "Every bank."	15 per cent of aggregate deposits.	A portion (not fixed by law) of the reserve must be cash in vault; remainder may be on deposit with approved reserve agents.	Requirements specified are those prescribed by Act approved Mar. 3, 1913. No changes since made.
Banks acting as approved reserve agents.	20 per cent of aggregate deposits.	Two-fifths cash in vault; remainder may be on deposit with approved reserve agents either in or out of the State.	
California: "Every commercial bank;"— In cities having a population of 100,000 or over. In cities having a population of 50,000 to 99,999. Elsewhere.	18 per cent of aggregate deposits. 15 per cent of aggregate deposits. 12 per cent of aggregate deposits.	At least one-third of the required reserve must be cash on hand consisting of gold coin, gold bullion, United States gold certificates or United States notes; in addition thereto, at least one-sixth must be cash on hand, consisting of the foregoing or any form of currency authorized by the laws of the United States; the remainder may be on deposit with approved reserve agents or may be cash on hand, consisting of gold coin, gold bullion, United States gold certificates, United States notes, or any form of currency authorized by the laws of the United States.	Prior to Aug. 7, 1915, commercial banks receiving deposits of other banks were required to maintain a reserve equal to 20 per cent of aggregate deposits, and other commercial banks were required to maintain a reserve of 15 per cent, two-fifths in each case to be cash on hand in lawful money of the United States, or gold and silver certificates of the United States; one-half of the remaining three-fifths might be on deposit with approved reserve agents in New York, Chicago, or St. Louis, and the remainder on deposit with banks within the State other than savings banks. Savings banks were required to hold 4 per cent of aggregate deposits, one-half in lawful money, gold or silver certificates, and the remainder in United States bonds, or gold and silver certificates and lawful money, or on deposit with approved reserve agents as above indicated for commercial banks. Banks becoming members of the Federal Reserve System are to maintain the reserves required by the Federal Reserve Act.
"Every savings bank or savings department of a bank."	5 per cent of aggregate deposits.	One-half must be cash on hand, consisting half of gold coin, gold bullion, United States gold certificates, or United States notes, and half to consist of the foregoing or any other form of currency authorized by the laws of the United States; the remainder may be in cash on hand as last above mentioned in United States bonds, or on deposit with approved reserve agents. No savings bank required to maintain reserves on hand in excess of \$400,000.	

Colorado: "Every" bank except savings bank." Approved reserve agents. Every savings bank. Connecticut: Every State bank and trust company.	20 per cent of deposits..... 25 per cent of deposits..... 15 per cent of savings deposits, 20 per cent of other deposits. 12 per cent of demand deposits (payable within 30 days), 5 per cent of time deposits.	Not less than one-fifth to be cash on hand, remainder (four-fifths) with approved reserve agents in the State or national banks in reserve or central reserve cities. At least one-third must consist of gold and silver coin, demand obligations of the United States, or national-bank notes, held in vault; remainder may consist of balances due from approved reserve agents in New York, Boston, Philadelphia, Chicago, Albany, New Haven, Hartford, Bridgeport, or Waterbury; and one-sixth of the total reserve may consist of bonds which are legal investments for savings banks in Connecticut.	Requirements specified are those prescribed by act of Mar. 24, 1915. Provisions here cited were enacted in 1915, the requirement prior to that time having been 15 per cent of aggregate deposits, not less than four-fifths to consist of gold and silver coin, demand obligations of the United States or national-bank currency, held in vault, remainder to consist of balances on deposit with approved reserve agents or of railroad bonds which are legal investments for savings banks in Connecticut.
Delaware: Every bank and trust company— In cities of population of over 50,000. In cities of less than 50,000 population. District of Columbia: Savings and State banks. Trust companies.	15 per cent of aggregate deposits payable within 30 days. 10 per cent of aggregate deposits payable within 90 days. Must maintain the reserve required by the laws of the State under which the corporation is organized. Must deposit with Comptroller of the Currency, money, bonds, mortgages, deeds of trust, or other securities equal in actual value to one-fourth of the capital stock paid in. 20 per cent of aggregate deposits.....	Not less than one-third in lawful money of the United States, gold certificates, silver certificates, or notes, and bills issued by any lawfully organized banking association, held in vault; and remainder with an approved Delaware bank or trust company having a capital of at least \$50,000 and surplus of \$20,000, or with approved depository in New York, Philadelphia, or Baltimore.	Requirements specified are those prescribed by act approved Apr. 5, 1909.
Florida: "Every banking company".....		Two-fifths must be in lawful money of the United States on hand. Three-fifths may be on deposit with banks and bankers, or invested in bonds of the United States, State of Florida, counties and cities of the State of Florida, such bonds to be approved by the State comptroller. (The State comptroller advises that his department does not permit banks other than savings institutions to count bonds as part of reserve.)	Requirements specified are those prescribed by act in force prior to passage of the Federal Reserve Act.

Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
Georgia: "Every bank or corporation doing a banking business."	25 per cent of demand deposits.....	Cash in hand including amount due by banks and bankers and the market value of bonds actually owned and held. The reserve may consist of either or all of the above items, the proportion not being fixed by law.	Act approved Aug. 13, 1915, authorizes and empowers State banks, savings banks, and trust companies organized under laws of the State of Georgia to become members of the Federal reserve system, in which case they are to conform to the regulations of the Federal Reserve Bank and the Federal Reserve Board.
Idaho: "Every bank or trust company"	15 per cent of aggregate deposits.....	Two-fifths must be actual cash in vault; three-fifths may consist of balances due from good solvent banks.	Act approved Mar. 11, 1915, reenacts former requirement as given here.
Illinois: Chicago banks..... Country banks.....	25 per cent of individual and bank deposits. 15 per cent of individual and bank deposits. No statutory requirements for maintenance of reserves. The State auditor of public accounts, however, under his authority, requires reserves to be maintained as above stated.	One-half in vault and one-half with approved reserve agents. Two-fifths in vault and three-fifths with approved reserve agents.	No change.
Indiana: State banks..... Trust companies.....	No statutory requirements. Office ruling of bank commissioner, 15 per cent. 15 per cent of commercial deposits payable upon demand and subject to check.	 "Cash, currency, or current funds".....	None.
Iowa: State banks— In cities and towns of population under 3,000. In cities of population of 3,000 or over. Trust companies and savings banks— In cities of population under 3,000. In cities of population of 3,000 or over.	10 per cent of total deposits..... 15 per cent of total deposits..... 15 per cent of demand deposits, 8 per cent of time and savings deposits. 20 per cent of demand deposits, 8 per cent of time and savings deposits.	One-fourth must be in vault; three-fourths may be on deposit with other banks. do..... do..... do.....	Required reserves upon time deposits in savings banks and trust companies have been reduced from 15 to 8 per cent.

Kansas: "A bank located in a city having less than 50,000 population, in which the credits due other banks are less than 20 per cent of its deposits." "A bank located in a city having less than 50,000 population, in which the credits due other banks are not less than 20 per cent of its deposits, and any bank located in a city having a population of 50,000 or over." Kentucky: "Each bank and trust company authorized to receive deposits." (1) In reserve cities. (2) Elsewhere. Louisiana: State banking corporations. Maine: "Every trust and banking company," having authority to receive money on deposit. Maryland: "State banks and trust companies."	12 per cent of the aggregate amount of demand deposits (payable within 30 days), 5 per cent of time deposits. 15 per cent of the aggregate amount of demand deposits, 5 per cent of its time deposits. 15 per cent of total demand deposits, 5 per cent of time and savings deposits, 12 per cent of total demand deposits (payable within 30 days), 5 per cent of time and savings deposits. 25 per cent of demand deposits; no requirements covering time deposits. 15 per cent of deposits subject to withdrawal on demand or within 10 days in the lawful money or national bank notes of the United States. 15 per cent reserve against demand deposits; no reserve against time deposits.	Four-twelfths in vaults, eight-twelfths either in vaults or in other banks; provided, that upon approval of the bank commission, any bank located in a city having less than 1,000 population shall not be required to keep in its vaults more than three-twelfths of its reserves. Five-fifteenths in vaults, ten-fifteenths either in its vaults or in other banks. One-third "shall be in money"; remainder may be in balances due from other banks and subject to call. Eight-twenty-fifths in cash on hand. No statutory or departmental requirement for cash in vault; one-third of said 15 per cent may consist of the bonds of the United States, District of Columbia, and certain States; two-thirds may be on deposit with approved reserve agents. One-third cash on hand (in case of trust companies cash in hand may be replaced by approved bonds), two-thirds with approved reserve agents.	Requirements specified are those prescribed by act of 1915 repealing section 471, General Statutes of 1909, which prescribed reserve requirements as follows: Banks in cities or towns of less than 5,000 population, 20 per cent of entire deposits; banks located in cities of population over 5,000, 25 per cent of entire deposits, of which one-fourth must be cash in vault (excluding cash items) and three-fourths might be on deposit with good solvent banks. (The requirements specified were enacted in 1914. Act of 1909 provided for reserve of 25 per cent of total deposits to be held by banks in cities of population of over 50,000, and for reserve of 15 per cent by banks in other cities. Act of 1914 authorizes State banks, savings banks, and trust companies to join Federal Reserve System and be bound by its regulations. Any "trust company" may become a stockholder in the Federal Reserve Bank and in such case shall be subject to the provisions of said Federal Reserve Act and any amendments thereof relative to bank reserve in substitution for the requirements of this section. No change.
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Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
Massachusetts: "Every trust company".....	15 per cent of demand deposits and deposits subject to withdrawal within 30 days.	Not less than two-fifths to be in lawful money of the United States, gold certificates, silver certificates, or notes and bills issued by any lawfully organized national banking association; remainder (three-fifths) due from any trust company in the city of Boston authorized, or national banks in Massachusetts or in the cities of New York, Philadelphia, Chicago, or Albany, or one-fifth may be in bonds of the United States or of Massachusetts at fair market value. Boston trust companies acting as reserve agents must hold half of their required reserve in lawful money of the United States, gold certificates, silver certificates, national bank notes; remainder may be in Boston trust companies authorized or in national banks, as above.	Banks joining Federal Reserve System to be subject to provision of Federal Reserve Act as to reserve in substitution for the requirements of foregoing provisions.
Trust companies doing business in Boston within 3 miles of the statehouse.	20 per cent of demand deposits and deposits subject to withdrawal within 30 days.	One-half must be in lawful money in vault, remainder on deposit in banks in approved reserve cities. do.....	Act of 1915 provides that State banks joining the Federal Reserve System shall be governed by the reserve requirements of the Federal Reserve Act instead of the foregoing.
Michigan: Commercial banks— (1) In cities of 100,000 population or less (not being reserve banks). (2) In cities and towns of over 100,000 population (and in cities of less population when designated by the bank commissioner as "reserve cities"). Savings banks.....	15 per cent of total deposits. 20 per cent of total deposits. 15 per cent of total deposits.	One-third in lawful money in vault, remainder on deposit with banks in approved reserve cities or invested in approved bonds. At least one-fourth in cash on hand, remainder with reserve agents.	Act of 1915 provides that State banks or trust companies may enter the Federal Reserve System. Reserve requirement was formerly 20 per cent of demand liabilities, one-half of which must be cash on hand and remainder might be on deposit with approved reserve agents.
Minnesota: State banks.....	15 per cent of demand deposits, 5 per cent of time deposits.	Actual cash or balances due from good solvent banks. do.....	None.
Mississippi: "Every bank"— (1) In towns of population less than 50,000. (2) In towns of over 50,000.....	15 per cent of demand deposits, 7 per cent of time and savings deposits. 25 per cent of demand deposits, 10 per cent of time and savings deposits.		

Massachusetts: "Every bank".....	15 per cent of aggregate demand deposits.	Two-fifths must be held in vault in coin or currency authorized by the laws of the United States, except that banks in cities of 200,000 population or over may not count Federal Reserve notes as part of their reserve on hand; three-fifths may be with approved reserve agents.	Any State bank or trust company becoming a member of a Federal Reserve Bank shall be required to maintain only such reserves as are required by the Federal Reserve Act.
"Each trust company"= (1) If located in city of over 200,000 population. (2) If located in city of population, 25,000 to 200,000. (3) If located elsewhere.....	18 per cent of aggregate demand deposits. 16 per cent of aggregate demand deposits. do.....	At least seven-eighths must be in cash on hand; may not count Federal Reserve notes. At least six-fifths must be cash on hand..... Law not clear, but apparently does not fix portion to be held in vault. Such portion as directors may determine may be on deposit with approved reserve agents. do	
Montana: "Every bank except a reserve bank." Banks approved by superintendent of banks as reserve banks.	15 per cent of deposit liabilities..... 25 per cent of deposit liabilities.....	One-third must be cash in vault; two-thirds with approved reserve agents.	None.
Nebraska: "Every bank"..... Banks in cities of more than 25,000 population. Savings banks. Nevada: Every bank..... Depository banks..... Savings banks and trust companies not transacting a general banking business.	15 per cent of aggregate deposits..... 20 per cent of aggregate deposits..... 5 per cent of aggregate deposits..... 15 per cent of entire deposits..... 25 per cent of deposits of the other banks. 10 per cent of deposits.....	One-third must be cash in vault; two-thirds with approved reserve agents. At least one-third in actual cash; two-thirds may be on deposit with approved reserve agent. One-half cash; one-half on deposit with good solvent banks.	None. None. None.
New Hampshire: "Every State bank, trust company, or similar corporation, doing a general banking business."	15 per cent of deposits in banking or commercial department.	Not less than one-third must consist of lawful money of the United States gold certificates, silver certificates, Federal Reserve notes, or national bank notes; two-thirds may consist of net balances due the corporation from approved reserve agents.	Any "trust company" may become a stockholder in Federal Reserve Bank * * * and in such case shall be subject to the provisions of said Federal Reserve Act and any amendments thereto relative to bank reserve in substitution for the requirements of this section. Prior to 1915 the requirement for cash in vault was for "lawful money of the United States."
New Jersey: "Every bank"..... "Every trust company receiving deposits of money subject to check or payable on demand."	15 per cent of immediate liabilities..... 15 per cent of immediate demand liabilities. No reserve required against time liabilities.	Two-fifths must be in cash on hand, remainder (three-fifths) on deposit with good solvent banks and trust companies. One-fifth in cash on hand, four-fifths on deposit with good solvent banks or trust companies.	Amendment of 1914 provides that any trust company or State bank may become a member of Federal Reserve System.

Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
New Mexico: All banks.....	12 per cent of entire deposits.....	Two-fifths must be in cash, balance in exchange.	Formerly 25 per cent of deposits.
New York: State banks— (1) In boroughs of 2,000,000 population or over.	18 per cent of aggregate demand de- posits.	At least two-thirds in cash in vault, of which at least one-half shall be gold or gold certificates or United States notes and remainder may be any other form of currency, except Federal Re- serve notes, authorized by the laws of the United States. Remainder with approved re- serve agents, which for banks which have joined the Federal Reserve System may in- clude the Federal Reserve Bank. do.....	Before passage of the Federal Reserve Act, the requirements were as follows: For State banks in boroughs having population of 1,800,000 or over, 25 per cent of deposits, of which three- fifths must be cash on hand; in boroughs hav- ing a population of 1,000,000 to 1,799,000, 20 per cent of deposits, of which one-half must be cash on hand; elsewhere, 15 per cent of deposits, of which two-fifths must be cash on hand; for trust companies in boroughs having population of 1,800,000 or over, 15 per cent of deposits, of which all must be cash on hand; in boroughs of 1,000,000 to 1,799,000, 15 per cent of deposits, of which two-thirds must be cash on hand; else- where, 10 per cent of deposits, of which one-half or six-tenths must be cash on hand. No re- serve required against time deposits.
(2) In boroughs of 1,000,000 to 1,999,999 population.	15 per cent of aggregate demand de- posits.	At least one-third in cash in vault.....	
(3) Elsewhere.....	12 per cent of aggregate demand de- posits.	At least two-thirds in cash in vault.....	
Trust companies— (1) In boroughs of 2,000,000 population or over.	15 per cent of aggregate demand de- posits.	At least eight-thirteenths in cash in vault.....	
(2) In boroughs of 1,000,000 to 1,999,999 population.	13 per cent of aggregate demand de- posits.	Four-tenths in cash in vault (for cities of first and second class), three-tenths in cash in vault (for third-class cities, incorporated or unincorpo- rated villages).	
(3) Elsewhere.....	10 per cent of aggregate demand de- posits.	Two-fifths must be cash on hand; remainder may be on deposit with other banks.	None.
North Carolina: State banks and savings banks....	No reserve required against time liabilities.	Two-fifths must be cash on hand; three-fifths may be on deposit with approved reserve agents.	Law formerly provided for reserve of 20 per cent of all deposits.
North Dakota: State banks.....	20 per cent of demand deposits, 10 per cent of time deposits.	At least 6 per cent of demand deposits, and at least 4 per cent of time deposits to be kept in vault in lawful money, National bank notes or bills, notes and gold, silver certificates issued by the United States; remainder may be on deposit with approved reserve agents.	Every State bank to have power to join the Fed- eral Reserve System, and those becoming members to be so determined by the reserve require- ments of said act in lieu of foregoing.
Ohio: Commercial banks.....	15 per cent of total deposits.....	At least 2 per cent in vault in money as above; not more than 3 per cent in approved securi- ties; remainder on deposit with approved re- serve agents.	
Savings banks.....	10 per cent of time deposits.....	At least 6 per cent in vault in money as above; remainder with approved reserve agents.	
	15 per cent of demand deposits.....		

Oklahoma: Every bank— In cities of less than 2,500 population. In cities of more than 2,500 population. Banks selected as depositories. Savings associations. Oregon: Every State bank.	15 per cent of entire deposits. 20 per cent of entire deposits. do. 10 per cent of deposits. 15 per cent of total demand deposits (excluding United States or Federal savings deposits), 10 per cent of total time and savings deposits.	At least one-third must be cash on hand; two-thirds with approved reserve agents. do. do. All in cash on hand. One-third cash on hand, two-thirds with approved reserve agents.	The requirements given are those provided by an amendment of 1915. The requirements prior to that time had been 20 per cent and 25 per cent for banks in cities of less than 2,500 population and more than 2,500 population, respectively.
Pennsylvania: "Every corporation receiving money subject to be paid out on demand." "Every bank, savings bank, or trust company receiving deposits payable at a future time."	15 per cent of aggregate immediate demand liabilities. 7½ per cent of time deposits.	At least one-third must consist of lawful money of the United States, gold certificates, silver certificates, National bank notes or clearing house certificates representing specie or lawful money deposited for the purpose; one-third or less may consist of United States bonds, Pennsylvania bonds, bonds of Pennsylvania municipalities and bonds which are a legal investment for savings banks; remainder may consist of money on deposit on call with approved Pennsylvania banks and trust companies or approved banks or trust companies in any reserve city.	None.
Rhode Island: "Every bank and trust company."	15 per cent of aggregate deposits. No cash reserve requirement against savings deposits.	Not less than two-fifths to be held in vault in form of gold and silver coin, demand obligations of United States, or national-bank currency; remainder (three-fifths) may consist of balances subject to draft with approved reserve agents in Providence, New York, Boston, Philadelphia, Chicago and Albany. May be kept and maintained in the manner provided in the national banking act of the United States to be kept and maintained in reserve cities.	None.
Approved reserve agents.	25 per cent of all deposits, except that any Providence bank, which is a member of the clearing house may be a reserve agent for banks in towns, but not cities, while holding only a 15 per cent reserve.		

Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
South Carolina: State banks.....	No law requiring reserve, left to discretion of bank.	.....	Act of 1914 authorizes any bank, banking association or trust company chartered and engaged in the banking business under the laws of South Carolina, to join any national reserve association under any law now existing or hereafter enacted by the Congress of the United States.
South Dakota: "Every bank".....	20 per cent of total deposits.....	Of which such portion as the directors may determine may be on deposit with approved agents. In lawful money or on deposit with approved reserve agents.	None.
Approved reserve agents.....	25 per cent of total deposits.....	.....	None.
Tennessee: Every bank, firm, person, or corporation doing a banking business.	10 per cent of demand deposits. No requirement against time deposits.	May consist of the balance due by banks and bankers to said bank when payable on demand.	None.
Texas: State banks— (1) Capital of \$25,000 or over..... (2) Less than \$25,000.....	15 per cent of demand deposits..... 20 per cent of demand deposits.....	Two-fifths must be cash on hand; remainder, or three-fifths, with approved reserve agents. do.....	Former requirement prior to 1914 was 25 per cent of demand deposits. All banks, members of Federal Reserve System, have same requirements as national banks.
Utah: Commercial banks.....	15 per cent of aggregate deposits and demand liabilities.	At least one-eighth to consist of lawful money of the United States on hand; remainder may be on deposit in solvent banks other than savings banks. do.....	None.
In cities of 50,000 or more.....	20 per cent of aggregate deposits and demand liabilities.	At least one-fourth in lawful money of United States; remainder may be on deposit in solvent banks other than savings banks.	None.
Savings banks.....	10 per cent of deposit liabilities.....	Two-fifths may be in United States bonds, or State bonds, or bonds of cities of 200,000 population or over; one-tenth must be in cash on hand; one-tenth must be in cash on hand or on deposit with banks in same county; two-fifths may be in authorized banks. Required cash in vault only 14 per cent of commercial deposits, or 3 per cent of savings deposits.	None.
Vermont: "Every bank".....	15 per cent of commercial deposits, 3 per cent of savings deposits.	.....	.....
Virginia: State banks.....	No legislative enactment; banking department attempts to secure maintenance of reserves, as follows: 12 per cent of demand deposits..... 5 per cent of time deposits.....	Five-twelfths cash in vault, seven-twelfths due from solvent banks. do.....	Prior to passage of Federal Reserve Act, department insisted on 15 per cent, two-fifths in vault and three-fifths with other solvent banks.

Washington: "Every bank and trust company".....	15 per cent of total deposits.....	Of "available funds," which may consist of balances due from approved reserve agents and actual cash or checks on solvent banks located in the same city.	Prior to the passage of the Federal Reserve Act the requirement was 20 per cent on demand liabilities.
West Virginia: "All banks".....	15 per cent of demand deposits.....	At least two-fifths must be in lawful money of United States, three-fifths may be with approved reserve agents in or out of the State.	None.
Wisconsin: State banks— (1) Not approved as reserve banks. (2) Approved by commissioner of banking as reserve banks. Savings banks (mutual).....	12 per cent of total deposits..... 20 per cent of total deposits..... 5 per cent of total deposits.....	Such portion as directors determine may be on deposit with approved reserve agents. In lawful money or on deposit with approved reserve agents. In cash on hand, or on deposit with approved reserve agents. do.....	Prior to 1915, requirements were 15 per cent for banks not in reserve cities and 20 per cent for banks in reserve cities.
Wyoming: Every banking association, including trust companies and savings banks.....	12 per cent of total deposits..... 20 per cent of demand liabilities to depositors, 10 per cent of savings deposits.....	Cash in vault or on deposit with approved reserve agents.	None.

Exhibit M.—CHANGES IN FEDERAL RESERVE DISTRICTS.**THE REDISTRICTING DECISION.¹**

Shortly after its organization, the Federal Reserve Board received petitions from banks located in several of the Federal Reserve Districts, asking the transfer of designated portions thereof to other districts. These petitions were filed under section 1 of the Federal Reserve Act, which provides for an appeal from the decision of the Organization Committee to the Board, in the following language:

"As soon as practicable * * * the Reserve Bank Organization Committee shall designate not less than eight nor more than twelve cities to be known as Federal Reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal Reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all. * * *

The Board, recognizing the general desire for the establishment of the Federal Reserve Banks at as early a date as practicable, determined to defer the investigation and hearing of these petitions until a later date, announcing, however, that the action taken with reference to the banks would not prejudice the decision to be arrived at later, when the petitions should come up for definite determination.

When the first pressure of work attending the organization of the banks was over, dates were set for the hearing of the petitions, and during the months of January and February, 1915, all that had then been filed were heard by counsel. A detailed list of the dates set for the hearings and a statement of other facts relating to the proceedings were printed in the First Annual Report of the Board (p. 192). Subsequently the petition of certain banks in Tennessee for transfer from district No. 6 to district No. 5 was withdrawn, at least for the time being. This left the following cases pending before the Board:

- (1) The petition of certain banks in northern New Jersey for transfer from district No. 3 to district No. 2.
- (2) The petition of certain banks in West Virginia for the transfer of the counties of Wetzel and Tyler from district No. 5 to No. 4.
- (3) The petition of certain banks in Oklahoma for transfer from district No. 11 to district No. 10.
- (4) The petition of certain banks in Nebraska and Wyoming for transfer from district No. 10 to No. 7.
- (5) The petition of the city of Baltimore to be designated as the headquarters of district No. 5 in place of Richmond, Va.
- (6) The petition of the city of Pittsburgh to be designated as the headquarters of district No. 4 in place of Cleveland, Ohio.

Meantime, on March 13, certain banks in southern Wisconsin had filed a petition for transfer from district No. 9 to district No. 7, and still more recently, on May 10, certain banks in Connecticut filed a petition for transfer from district No. 1 to district No. 2. These last two petitions, however, were received at a time when the Board had either decided or was on the point of deciding the cases already presented. They were consequently not included in the action finally taken, but were reserved for later hearing and adjudication.

When the arguments and briefs relating to the petitions already enumerated were in hand, they were apportioned to committees of the Board. These committees

¹ Reprinted from the Federal Reserve Bulletin of June 1, 1915.

reviewed the testimony and filed reports making recommendations with regard to the best method of disposing of the subjects referred to them. Action would then have been taken had it not been for the necessary absence of some members of the Board. This necessitated a postponement of action during the latter part of March and the whole of April. It was then voted to take definite action respecting the pending cases which had been heard at some time during the week beginning May 3. In accordance with this determination the Board on May 4 passed the following resolution:

"*Be it resolved*, That the recommendations of the respective committees be adopted and approved, and that the petitions of the banks in southern Oklahoma, northern New Jersey, Tyler and Wetzel Counties, West Virginia, be granted; and,

"*Be it also resolved*, That the petition of the banks of Wyoming and Nebraska be denied; and,

"*Be it further resolved*, That action on other pending petitions be deferred until further experience in the actual operation of the several districts, especially in the light of the new clearing system which is about to go into effect, and of the extent to which State banks take membership in the Federal Reserve System, shall have provided the Board with the necessary data for a conclusion, it being the opinion of the Board that action on petitions relating to changes in cities designated as the location of Federal Reserve Banks should be deferred until the Board shall have reached a conclusion from experience as to any further readjustments in the boundaries of the several districts, or in the number of districts, which may be desirable in the operation and development of the Federal Reserve System."

It will be seen that the Board in this decision denied one of the petitions—that of Nebraska and Wyoming—deferred action on two, those of the cities of Baltimore and Pittsburgh, for future consideration, and granted three, those of the banks of New Jersey, West Virginia, and Oklahoma.

In order to make plain exactly what changes in the previous districts were made effective by the granting of these three petitions, the accompanying map has been drawn, and is herewith presented for the purpose of showing the boundaries of the 12 districts as they stand to-day. Inasmuch as the map is drawn upon too small a scale to admit of the clear representation of counties, there is hereto appended a list of counties in each of the States affected by the redistricting.

The names and capitalization of the banks in these transferred territories are likewise given.

NEW JERSEY.

Counties transferred to district No. 2.

Bergen.	Hunterdon.	Morris.	Sussex.
Essex.	Middlesex.	Passaic.	Union.
Hudson.	Monmouth.	Somerset.	Warren.

Counties remaining in district No. 3.

Atlantic.	Cape May.	Gloucester.	Ocean.
Burlington.	Cumberland.	Mercer.	Salem.
Camden.			

OKLAHOMA.

Counties transferred to district No. 10.

Beckham.	Greer.	Kiowa.	Pittsburg.
Caddo.	Harmon.	Latimer.	Pontotoc.
Carter.	Haskell.	Le Flore.	Roger Mills.
Comanche.	Hughes.	Love.	Stephens.
Custer.	Jackson.	McClain.	Tillman.
Garvin.	Jefferson.	Murray.	Washita.
Grady.			

Counties remaining in district No. 11.

Atoka.	Choctaw.	Johnston.	Marshall.
Bryan.	Coal.	McCurtain.	Pushmataha.

WEST VIRGINIA.

In West Virginia the counties of Wetzel and Tyler were transferred from district No. 5 to district No. 4.

NEW JERSEY.

List of banks transferred to district No. 2.

Name of bank.	Location.	Capital and surplus.
Farmers National.....	Allentown.....	\$100,000
First National.....	Arlington.....	81,000
Seacoast National.....	Asbury Park.....	175,000
Atlantic Highlands National.....	Atlantic Highlands.....	100,000
First National.....	Belleville.....	225,000
Do.....	Belmar.....	75,000
Belvidere National.....	Belvidere.....	175,000
Warren County National.....	do.....	100,000
Bernardsville National.....	Bernardsville.....	50,000
First National.....	Blairstown.....	50,000
Peoples National.....	do.....	75,000
Bloomfield National.....	Bloomfield.....	150,000
Citizens National.....	Bloomsbury.....	25,000
Boonton National.....	Boonton.....	200,000
Bound Brook National.....	Bound Brook.....	60,000
First National.....	do.....	125,000
Do.....	Bradley Beach.....	27,500
Do.....	Branchville.....	50,000
Do.....	Butler.....	100,000
Citizens National.....	Caldwell.....	41,000
Caldwell National.....	do.....	50,000
Califon National.....	Califon.....	31,000
Carlstadt National.....	Carlstadt.....	60,000
Clinton National.....	Clinton.....	150,000
First National.....	do.....	70,000
Do.....	Cranbury.....	150,000
Closter National.....	Closter.....	50,000
National Union.....	Dover.....	375,000
First National.....	Dunellen.....	40,000
Do.....	East Newark.....	35,000
Do.....	Eatontown.....	33,000
Do.....	Edgewater.....	50,000
National State.....	Elizabeth.....	1,000,000
Citizens National.....	Englewood.....	150,000
First National.....	Englishtown.....	58,500
Flemington National.....	Flemington.....	200,000
Hunterdon County National.....	do.....	200,000
First National.....	Fort Lee.....	49,000
Central National.....	Freehold.....	100,000
First National.....	do.....	150,000
National Freehold Banking Co.....	do.....	100,000
Union National.....	Frenchtown.....	160,000
First National.....	Garfield.....	64,000
Do.....	Guttenburg.....	75,000
Hackensack National.....	Hackensack.....	200,000
Peoples National.....	do.....	300,000
Hackettstown National.....	Hackettstown.....	250,000
Peoples National.....	do.....	100,000
Hardyston National.....	Hamburg.....	85,000
First National.....	High Bridge.....	30,000
Do.....	Hoboken.....	660,000
Second National.....	do.....	400,000
First National.....	Hope.....	32,000
Irvington National.....	Irvington.....	145,000
First National.....	Jamesburg.....	75,000
Do.....	Jersey City.....	1,200,000
Hudson County National.....	do.....	750,000
Merchants National.....	do.....	250,000
Keansburg National.....	Keansburg.....	37,500
Peoples National.....	Keyport.....	50,000
Amwell National.....	Lambertville.....	137,000
Lambertville National.....	do.....	200,000
Little Falls National.....	Little Falls.....	50,000
First National.....	Lodi.....	200,000

List of banks transferred to district No. 2—Continued.

Name of bank.	Location.	Capital and surplus.
Citizens National	Long Branch	\$250,000
First National	do.	150,000
Do	Lyndhurst	55,000
Do	Madison	55,000
Manasquan National	Manasquan	75,000
Farmers & Merchants National	Matawan	150,000
Metuchen National	Metuchen	55,000
First National	Milford	45,000
Do	Milburn	87,000
Essex National	Montclair	187,500
First National	do.	150,000
National Iron	Morristown	250,000
First National	do.	400,000
Citizens National	Netcong	50,000
American National	Newark	375,000
Broad-Market National	do.	270,000
Essex County National	do.	2,000,000
Manufacturers National	do.	750,000
Merchants National	do.	1,000,000
National Newark Banking Co.	do.	2,000,000
National State Bank	do.	750,000
North Ward National	do.	500,000
Union National	do.	3,000,000
National Bank of New Jersey	New Brunswick	500,000
Peoples National	do.	250,000
Merchants National	Newton	190,000
Sussex National	do.	400,000
Ocean Grove National	Ocean Grove	50,000
Orange National	Orange	300,000
Second National	do.	300,000
Passaic National	Passaic	550,000
First National	Paterson	1,100,000
Paterson National	do.	600,000
Second National	do.	350,000
First National	Perth Amboy	300,000
Phillipsburg National	Phillipsburg	500,000
Second National	do.	150,000
City National	Plainfield	300,000
First National	do.	300,000
Rahway National	Rahway	150,000
First National	Ramsey	45,000
Second National	Red Bank	225,000
First National	Ridgefield Park	60,000
Do	Ridgewood	110,000
Do	Rockaway	20,000
Do	Roosevelt	50,000
Do	Roselle	65,000
Rutherford National	Rutherford	150,000
First National	Sea Bright	32,500
Do	Secaucus	25,000
Do	Somerville	250,000
Second National	do.	100,000
First National	South Amboy	125,000
Do	South River	125,000
Do	Spring Lake	75,000
Do	Summit	100,000
Farmers National	Sussex	200,000
First National	Tenafly	50,000
Do	Town of Union	125,000
Do	Washington	250,000
National Bank	Westfield	123,948
Peoples National	do.	80,000
National Bank of North Hudson	West Hoboken	115,000
First National	West Orange	120,000
Do	Westwood	47,000
Do	Whitehouse Station	47,000
Do	Woodbridge	40,000
Total		32,071,448

OKLAHOMA.

List of banks transferred to district No. 10.

Name of bank.	Location.	Capital and surplus.
The First National Bank.	Ada.	\$60,000
Merchants & Planters National.	do.	60,000
First National.	Addington.	26,722
Do.	Alex.	45,000
Do.	Allen.	30,000
City National.	Altus.	54,500
First National.	do.	67,250
Do.	Anadarko.	60,000
National Bank of.	do.	30,000
First National.	Apache.	30,000
Do.	Arapaho.	30,000
Ardmore National.	Ardmore.	120,000
First National.	do.	200,000
State National.	do.	110,000
First National.	Berwyn.	30,000
Do.	Blair.	29,000
Do.	Blanchard.	50,000
Calvin National.	Calvin.	28,000
First National.	do.	30,000
The Chickasha National.	Chickasha.	113,500
Citizens National.	do.	90,000
First National.	do.	260,000
Oklahoma National.	do.	125,000
First National.	Clinton.	35,000
Oklahoma State National.	do.	27,750
First National.	Comanche.	30,000
Cordell National.	Cordell.	35,000
Farmers National.	do.	28,500
State National.	do.	33,500
First National.	Custer City.	30,000
Peoples State National.	do.	30,000
First National.	Davis.	60,000
City National.	Duncan.	42,000
Duncan National.	do.	50,000
First National.	do.	60,000
Do.	Eldorado.	40,000
Do.	Elk City.	58,000
Francis National.	Francis.	30,000
First National.	Frederick.	72,000
National Bank of Commerce.	do.	90,000
First National.	Gotebo.	27,700
Do.	Grandfield.	30,000
Farmers National.	Hammon.	27,650
First National.	Hartshorne.	75,000
National Bank of.	Hastings.	28,500
First National.	Heavener.	31,000
State National.	do.	25,000
City National.	Hobart.	33,500
Farmers & Merchants National.	do.	60,000
First National.	do.	30,000
American National.	Holdenville.	30,000
Farmers National.	do.	27,500
First National.	do.	30,000
City National.	Hollis.	25,500
National Bank of Commerce.	do.	30,000
State National.	do.	25,000
Farmers National.	Hydro.	25,050
First National.	do.	27,500
Keota National.	Keota.	28,500
First National.	Kiowa.	36,000
Peoples National.	do.	27,500
City National.	Lawton.	100,000
First National.	do.	110,000
Do.	Lindsay.	50,000
Do.	Lone Wolf.	34,000
Do.	Mangum.	75,000
Mangum National.	do.	80,000
First National.	Marietta.	75,000
Marietta National.	do.	100,000
The National Bank of.	Marlow.	29,200
State National.	do.	26,750
Farmers National.	Mayville.	27,500
First National.	do.	32,500
American National.	McAlester.	125,000
City National.	do.	55,000
First National.	do.	135,000
Do.	Minco.	30,000
Do.	Mountain View.	30,000

List of banks transferred to district No. 10—Continued.

Name of bank.	Location.	Capital and surplus.
First National.....	New Wilson.....	\$25,000
Do.....	Olustee.....	30,000
Do.....	Pauls Valley.....	150,000
National Bank of Commerce.....	do.....	60,000
Pauls Valley National.....	do.....	30,000
First National.....	Poteau.....	42,500
National Bank of.....	do.....	60,000
The Chickasaw National.....	Purcell.....	75,000
Union National.....	do.....	33,000
First National.....	Quinton.....	30,000
Do.....	Ringling.....	50,400
Farmers & Merchants National.....	Roff.....	37,500
First National.....	do.....	36,000
Do.....	Rush Springs.....	36,000
Do.....	Ryan.....	60,000
Beckham County National.....	Sayre.....	27,500
First National.....	do.....	32,500
Do.....	Sentinel.....	27,500
Do.....	Snyder.....	27,500
Do.....	Spiro.....	26,000
American National.....	Stigler.....	30,000
First National.....	do.....	60,000
Do.....	Stonewall.....	42,000
Do.....	Stratford.....	27,500
Do.....	Stuart.....	26,000
Park National.....	Sulphur.....	30,000
First National.....	Talihina.....	26,250
Temple National.....	Temple.....	27,500
First National.....	Thomas.....	30,000
Do.....	Verden.....	26,500
National Bank of.....	do.....	30,000
First National.....	Walters.....	30,000
Walters National.....	do.....	10,000
First National.....	Washington.....	26,000
Do.....	Waurika.....	27,650
Waurika National.....	do.....	25,500
First National.....	Weatherford.....	28,500
German National.....	do.....	60,000
American National.....	Wetumka.....	30,000
First National.....	do.....	35,500
Latimer County National.....	Wilburton.....	29,000
First National.....	Wynnewood.....	100,000
Southern National.....	do.....	80,000
Total.....		5,994,873

WEST VIRGINIA.

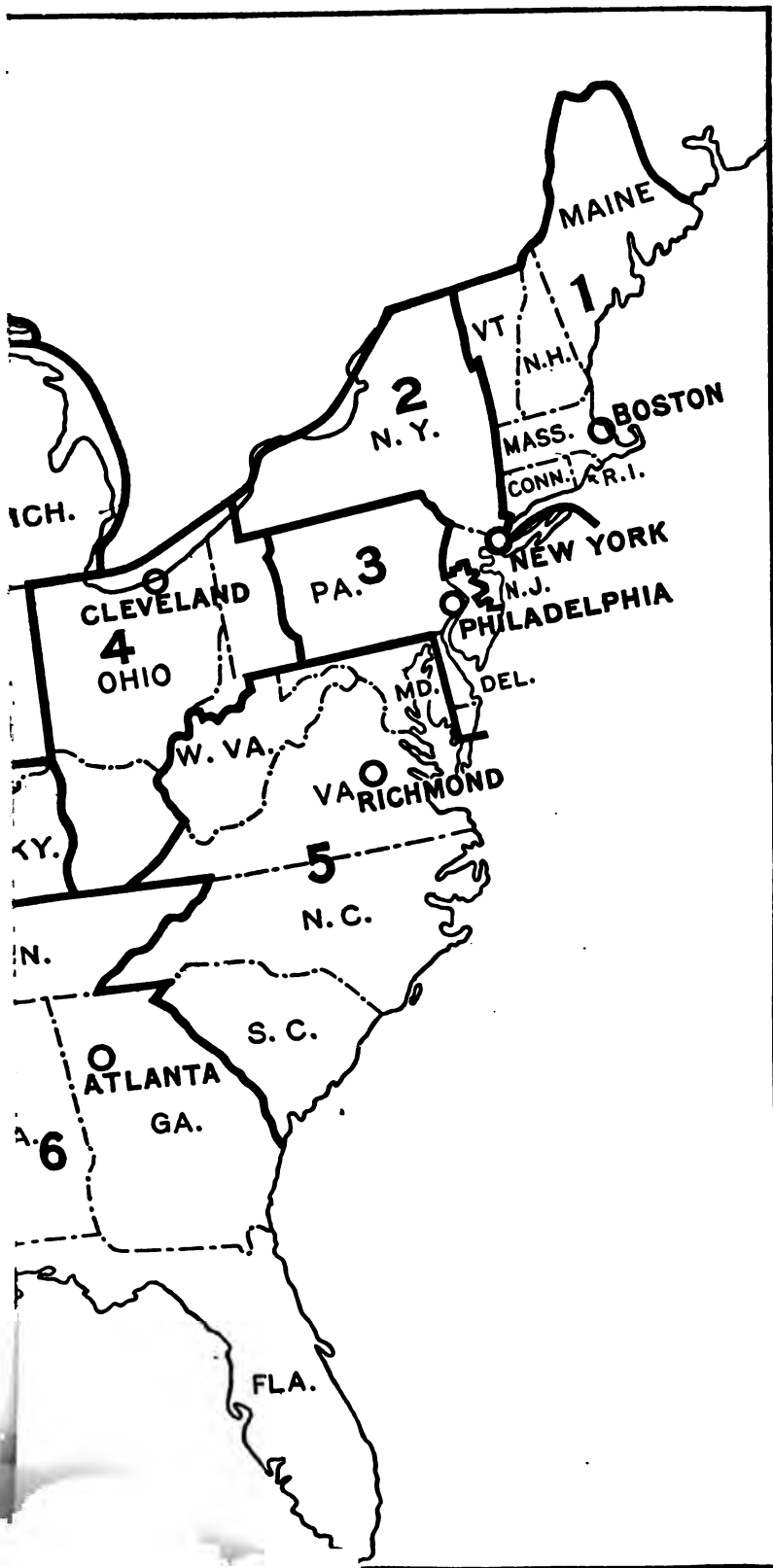
List of banks transferred to district No. 4.

Name of bank.	Location.	Capital and surplus.
First National.....	Middlebourne.....	\$39,500
Do.....	New Martinsville.....	75,000
Farmers and Producers National.....	Sistersville.....	136,000
First National.....	do.....	165,000
Peoples National.....	do.....	115,000
Total.....		530,500

The pending cases divide themselves into two broadly distinguishable classes, the one involving extensive revision of the work already done and requiring for its elucidation and proper determination knowledge which could come only from experience and observation of the actual working of the several Federal reserve banks; the other involving simpler and less extensive interests and requiring less detailed information as to the whole problem of districting.



The Board's announcement on the whole subject, while going as far as it has been deemed practicable under existing conditions to take action, is not at all to be regarded as final and was not intended to be so. The right to act further on the matter is reserved for future exercise as that may be necessary and at any time. Although there has been no express statement to that effect, it is a clear inference from the opinion handed down that future action will depend very much upon the course of events in the districts as they are now made up, and will be determined by the conditions that are disclosed in the operations of the banks.



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9552 issues, \$1074.75; 9564 issues, \$1076.10; 9576 issues, \$1077.45; 9588 issues, \$1078.80; 9600 issues, \$1080.15; 9612 issues, \$1081.50; 9624 issues, \$1082.85; 9636 issues, \$1084.20; 9648 issues, \$1085.55; 9660 issues, \$1086.90; 9672 issues, \$1088.25; 9684 issues, \$1089.60; 9696 issues, \$1090.95; 9708 issues, \$1092.30; 9720 issues, \$1093.65; 9732 issues, \$1095.00; 9744 issues, \$1096.35; 9756 issues, \$1097.70; 97

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PART II.

REPORTS OF FEDERAL RESERVE AGENTS TO FEDERAL RESERVE BOARD.

REPORTS OF FEDERAL RESERVE AGENTS.

In accordance with a request from the Federal Reserve Board, each Federal Reserve Agent has submitted a report to it concerning the operation of the Federal Reserve Bank of his district for the past year. These reports are herewith presented as personal expressions of the Federal Reserve Agents, all recommendations for changes in law being omitted:

DISTRICT NO. 1—BOSTON.

FREDERIC H. CURTISS, Chairman and Federal Reserve Agent.

Owing to the prevailing low rates for money, due to a large extent to the money released by the new reserve requirements and to the advances made on emergency orders, member banks have found it necessary to rediscount with this bank only to a limited extent, and, therefore, to meet operating expenses the directors of this bank have found it necessary to seek investments in the open market.

Municipal notes, bankers' acceptances, and, to a limited extent, Government bonds have thus far constituted its principal investments.

A retrospect of conditions existing at the time the Federal Reserve Banks began operations, November 16, 1914, should be of interest. There was outstanding in this district on November 16, 1914, about \$31,000,000 of emergency currency, consisting of Aldrich-Vreeland notes and clearing-house certificates. The Boston banks showed a deficit with their reserve agents and only a moderate excess in cash. The comptroller's call of October 31, 1914, showed bills payable and notes rediscounted of about \$6,000,000, most of this being borrowed by the country banks. At the date of that call many of these banks were running below their reserves and the total surplus reserve of the banks in the district was abnormally low. Money rates were high. Demand money to brokers ranged from 5½ to 7 per cent, and the commercial borrower was obliged to pay 6 per cent and even higher for accommodation up to six months. Member banks were restricting their own customers and were out of the market for outside paper.

The Boston Stock Exchange was closed except for dealings through a committee, and only limited transactions were allowed. The associated banks of Boston were paying balances through the Boston clearing-house in clearing-house certificates and bank notes. Within a few days after the opening of the Federal Reserve Bank call money was lending at 4½ to 5 per cent, and commercial paper was moving fairly freely at 5½ to 6 per cent. The new reserve requirements, which went into effect at the date of opening of the bank, were materially felt throughout the district.

OPENING OF THE BANK.

As soon as the board of directors of this bank organized one of their first official actions was the selection of its executive officer, the Governor. After a most careful canvass of eligible men the position was offered to and accepted by Mr. Alfred L. Aiken, at that time president of the Worcester National Bank, Worcester, Mass.

As it was deemed advisable to have a Deputy Governor, Mr. Thomas P. Beal, class A director, and president of the Second National Bank of Boston, at the request of the directors consented to assume that position without compensation until such time as the services of a full-time executive officer were required.

Mr. Florrimon M. Howe, assistant cashier of the Old Colony Trust Co., Boston, was chosen cashier of the bank.

Temporary banking rooms were secured at 101 Milk Street and vaults were hired from the New England Trust Co.

The first payment on capital stock was received at the Subtreasury, through the courtesy of Mr. Charles S. Strecker, the assistant treasurer. This payment amounted to \$1,618,924.99 and was practically all received on or before November 2, 1914. The stock of this bank was subscribed in about the following proportions:

Banks in group 1 approximately $76\frac{1}{2}$ per cent.

Banks in group 2 approximately $16\frac{1}{10}$ per cent.

Banks in group 3 approximately $7\frac{1}{10}$ per cent.

Group 1, banks with a capital and surplus over \$250,000; group 2, banks between \$120,000 and \$250,000; group 3, banks under \$120,000.

The first shipment of Federal Reserve notes was also received at the Boston Subtreasury, where they were stored until the permanent vaults were ready for occupancy.

Acting under instructions from the Secretary of the Treasury, this bank was opened for business on November 16, 1914, and the first payment of reserves was received at the Subtreasury. This payment amounted to approximately \$15,000,000, about \$9,300,000 of this being paid in gold, showing that the request of the Federal Reserve Board to member banks that they make this payment in gold met with satisfactory response.

Permanent quarters were later secured at 53 State Street, to which the bank moved on January 1, 1915. These quarters are on the first floor of the Exchange Building, and cover about 4,283 square feet of floor space. These rooms were formerly occupied by a bank and are well adapted to present needs. They furnish adequate space for offices, a directors' room, cages, and space for clerical work. They are rented at an annual rental of \$12,500 and a lease was taken for four years from January 1, 1915. The vaults in this room are modern, well arranged, and adequate for daily needs. In the same building there has been rented from a safe-deposit company vaults formerly occupied by the Boston Clearing House Association, and in these are carried the bank's main reserves. Federal Reserve notes and the gold in the custody of the Federal Reserve Agent are kept in separate safes in the same vault.

INTERNAL ORGANIZATION AND PERSONNEL OF THE BANK.

The bank has a governor, a deputy governor (who is inactive), a cashier, assistant cashier, chief clerk, paying teller, receiving teller, discount clerk, assistant discount clerk, and eight other clerks, including stenographers, a telephone operator, bookkeepers, etc. Owing to the exigencies connected with the early opening of the bank, the employees were chosen with emphasis given to their past experience in the position to be filled, and therefore most of them were drawn from the large commercial banks, and the efficiency of these clerks has been an important factor in keeping the staff at a minimum.

The Federal Reserve Agent is in charge of the credit and the statistical department of the bank. He has an assistant, a secretary, and a stenographer. The deputy Federal Reserve Agent, after the early stages of the organization of the bank, apart from his duties as director has been active only in the absence of the Federal Reserve Agent, the department in its present stage of development not requiring the services of two officials.

When the operating force of the bank has at any time had an unusual volume of work put upon it the clerical force of the Federal Reserve Agent's department has been freely used by the bank, and this has helped to keep the clerical force of the bank small. This department has collected a moderate-sized reference library, which has proved of considerable value to the officers of this bank and to member banks.

BY-LAWS.

At a meeting of the board of directors on November 5, 1914, the following by-laws were approved. Since that time two amendments have been made, one adopted on June 3, 1915, and the other on September 2, 1915, both being in regard to the time of directors' meetings:

BY-LAWS OF THE FEDERAL RESERVE BANK OF BOSTON.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every Thursday at 2.30 o'clock p. m. or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least two days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation. The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee. The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To make from time to time such changes in the discount rates as may seem best, the same to be reported to the board of directors at the next meeting of the directors following such changes.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security to be pledged against the issuing of such Federal reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensation.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board of directors shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor, the board shall appoint from the directors a governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in their discretion, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall be open for business for such hours as the directors may from time to time determine.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

Adopted by the Board of Directors of the Federal Reserve Bank of Boston on November 5, 1914.

The following amendment was favorably acted upon at the directors' meeting of June 3, 1915:

Before the word "Thursday" section 3, line 1, of the by-laws, insert the word "alternate"; after the word "Thursday," insert the words "beginning June 24," so that the section will read:

"There shall be a regular meeting of the board every alternate Thursday at 2.30 o'clock p. m., beginning June 24, or if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least two days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice."

The following amendment was favorably acted upon September 2, 1915.

Article 1, section 3, line 2, after the word "at," strike out the words "2.30 o'clock p. m.," and substitute therefor the following: "Such time as may be fixed by the board," so that that portion of section 3, as amended will read as follows:

"Sec. 3. *Meetings.*—There shall be a regular meeting of the board every alternate Thursday at such time as may be fixed by the board, or if that day be a holiday on the first preceding full business day," etc.

DIRECTORS AND EXECUTIVE COMMITTEE.

During the first eight months the board of directors met every week, the executive committee meeting on the same day. The amendment to the by-laws of June 3, mentioned above, provided that the directors should meet every alternate Thursday, and thereafter both the executive committee and the directors' meetings were held every two weeks. The records show that 47 meetings of the board have been held, with an average attendance of about 8 directors. The executive committee has met 52 times, with an average attendance of 4 members.

The executive committee consists of the governor of the bank, who is chairman, the chairman of the board of directors, and three other members of the board. It has been found expedient to have the class A and class B directors representing group 1 serve on this committee continuously, both being Boston directors, the other two class A directors serving during alternate periods.

Records are kept of the executive committee meetings. All rediscounts for member banks and investments made are approved, and matters pertaining to the policy and conduct of the bank are discussed by that committee. The records of these meetings are read and the action of the committee confirmed at each meeting of the board of directors.

At each meeting of the board of directors a statement of the condition of the bank and a detailed record of all transactions in the way of loans and investments is presented to the directors. While the officers of the bank are in more frequent consultation with the two Boston directors, every director is in close touch with the bank's affairs, and gives careful attention and thought to the development of its usefulness.

ADVISORY COUNCIL.

The board of directors, after careful consideration of the provisions of the Federal Reserve Act regarding the functions and conception of the Federal reserve advisory council, decided to appoint a banking official not connected with this bank as an officer or director as a member of that council. On October 16, 1914, the directors chose Mr. Daniel G. Wing, president of the First National Bank of Boston, as the member of the Federal advisory council from this district for the term ending December 31, 1915. Mr. Wing accepted this position and has served without compensation other than allowances for ordinary traveling expenses. He has thus far attended every meeting of the advisory council, and after each meeting has appeared before the board of directors of this bank by invitation and informed it of the deliberations and conclusions arrived at by that council.

DISCOUNT RATES.

Rates of discount were established by the board of directors, and went into effect as follows:

	10 days.	30 days.	60 days.	90 days.	Over.
Nov. 16.....		6	6	6	
20.....		5½	6	6	
Dec. 17.....		5	5½	6	
20.....		4½	5	5	
Feb. 3.....		4	4	4½	
June 18.....		4	4	4½	5
July 1.....	3	4	4	4½	5
Aug. 6.....	3	4	4	4	5

The directors in establishing rates for the longer-time paper have had in mind the out-of-town banks. These rates have been established based on prevailing rates in the outlying districts, so that assistance could be furnished without causing undue inflation. As the money market became more normal and reserves began to accumulate in the centers, rates were maintained, as it was felt that the Boston banks, owing to their large amount of unemployed funds, would probably meet any rate established by this bank, and that a further reduction of rates might affect the general money market.

While member banks have been slow to avail themselves of the privilege of rediscounting with this bank, this is due to a considerable extent to the general belief that the process is a slow one and surrounded by much formality. Banks that have rediscounted, however, find that such is not the case, and are using that privilege whenever necessary. There is no delay in crediting a bank with its rediscounts. The governor and chairman pass on paper as presented.

The 10-day rate was established to meet the needs of those banks that carry as a secondary reserve the demand street loans of brokers, that the services of this bank might be called upon for temporary use, instead of those loans being called. In normal times it is expected that banks will use this short-time privilege, and that this rate will follow very closely the current demand rates in Boston.

A commodity rate of 3½ per cent was established on September 24, 1915, but as yet no loans of a character warranting special rates have appeared in this district.

A similar situation arises in the matter of trade acceptances. The trade acceptance in use at the present time has the character to a large extent of the ordinary two-name paper offered for rediscount.

This bank has rediscounted for 29 member banks since the inauguration of the system. These rediscounts have amounted to \$2,386,922.80. The following table shows these distributed by months:

Month.	Number of applications.	Amount.
1914		
November.....	3	\$26,577.81
December.....	9	273,577.56
1915		
January.....	9	126,343.68
February.....	8	139,595.96
March.....	15	178,163.04
April.....	22	325,652.53
May.....	21	191,338.78
June.....	22	347,359.11
July.....	21	201,668.11
August.....	15	75,847.01
September.....	17	91,264.35
October.....	9	54,546.98
November.....	12	170,799.34
December.....	18	184,188.54
Total.....		2,386,922.80

Highest point, July 2, 1915, \$436,545.87.

During November and December, 1914, 10 banks rediscounted, and during the year 1915, 28 banks rediscounted, of which 9 had rediscounted in 1914.

FEDERAL RESERVE NOTES.

This bank has issued \$10,520,000 Federal Reserve notes in the following denominations:

5's.....	\$3, 620, 000
10's.....	4, 680, 000
20's.....	640, 000
50's.....	600, 000
100's.....	980, 000

These notes have all been issued against rediscounts or indorsed bankers' acceptances, and the bank has reduced its liability by a deposit of gold. Mutilated notes have been canceled and returned to the extent of \$500,000, as follows: 5's, \$260,000; 10's, \$210,000; 50's, \$10,000; 100's, \$20,000.

The demand for these notes has come for the most part from Boston member and nonmember banks, and as their issuance has not drained the bank's gold reserve, but instead has mobilized additional gold in the hands of the Federal Reserve Agent, it has been deemed a wise policy and one giving additional strength to the bank's position. The application for notes and the pledging of collateral in each case has been approved by the executive committee. All gold held by the Federal Reserve Agent for the redemption of Federal Reserve Notes is carried in gold order certificates running in favor of the Federal Reserve Bank or Federal Reserve Agent of Boston. There has been received from the Comptroller of the Currency \$16,360,000 in Federal Reserve Notes, as follows:

5's.....	\$5, 080, 000
10's.....	5, 920, 000
20's.....	1, 760, 000
50's.....	1, 600, 000
100's.....	2, 000, 000

These notes have been carried, together with the gold certificates held by the agent, in separate safes in the bank's vaults, in the State Street safe deposit vaults located beneath the banking rooms of the Federal Reserve Bank.

Access to the bank vaults requires the presence of three officers and access to the Federal Reserve Agent's safes requires the Federal Reserve Agent and one other.

It has been intimated by member banks that the demand for \$50 and \$100 notes has been for the use of mutual savings banks. The demand for \$10 notes can partly be traced to the fact that \$10 gold certificates have been used for pay roll and other counter requirements in this district, and the Federal Reserve note has no doubt replaced much of this class of currency.

In order to meet any unusual demand for currency a supply of Federal Reserve notes of this bank amounting to \$45,000,000 has been printed, a generous supply being carried always on hand in Boston by the Federal Reserve Agent, ready for issuance. As these notes are estimated to cost \$0.00959 per note, this has been a heavy expense to the bank, but as the supply will probably cover several years' necessities the cost will be distributed over that period. Each time notes are issued the cost is charged by the bank as a current expense.

Satisfactory results have been obtained in cleaning and laundering soiled notes at a very small cost.

The Subtreasury has furnished facilities for canceling and cutting mutilated notes that have been redeemed, and those notes have been forwarded to the comptroller

for destruction. Federal Reserve notes of other Federal Reserve Banks have been received on deposit by this bank and forwarded to the issuing bank as follows:

New York.....	\$954, 645
Philadelphia.....	31, 690
Cleveland.....	24, 315
Richmond.....	69, 865
Atlanta.....	29, 800
Chicago.....	22, 925
St. Louis.....	3, 770
Minneapolis.....	20, 305
Kansas City.....	12, 485
Dallas.....	22, 780
San Francisco.....	7, 205
Total.....	1, 199, 785

Notes of this bank have been received from other Federal Reserve Banks as follows:

New York.....	\$232, 070
Philadelphia.....	29, 750
Cleveland.....	575
Richmond.....	1, 440
Atlanta.....	1, 255
Chicago.....	7, 400
St. Louis.....	3, 050
Minneapolis.....	160
Kansas City.....	550
Dallas.....	290
San Francisco.....	6, 330
Total.....	282, 870

GOVERNMENT BONDS.

This bank has purchased \$1,000,000 United States Government 2's, 1930, at prices ranging from 98½ to 99. The question of purchasing Government securities has been frequently discussed by the directors of this bank. Apart from the fact that each year this bank may be called upon to purchase its pro rata of such securities presented for purchase by member banks under the provisions of the Federal Reserve Act, various arguments have been presented against the purchase of such bonds for investment.

OPEN-MARKET OPERATIONS.

In order to meet its operating expenses this bank has been a large purchaser of bankers' acceptances and city and town notes.

On February 18, 1915, the directors of this bank voted to establish a rate of not less than 2 per cent and not more than 4 per cent for the purchase of bankers' acceptances. It has purchased acceptances at rates varying from 2 per cent to 3 per cent. The following table shows the purchases by months:

Month.	Number of purchases.	Amount.
1915.		
February.....	3	\$340,317.18
March.....	9	1,030,278.09
April.....	11	549,853.94
May.....	9	643,209.30
June.....	10	572,516.55
July.....	20	1,063,620.68
August.....	20	1,063,486.29
September.....	14	781,224.78
October.....	21	1,791,963.05
November.....	21	3,348,061.89
December.....	31	2,920,804.84
Total.....		14,105,326.59

It is the custom of New England cities and towns, especially in Massachusetts, to issue short-time notes in anticipation of taxes, to be paid from the current taxes. These municipal warrants form a most attractive investment, a default in payment being practically unknown. Under regulations of the Federal Reserve Board this bank has purchased \$8,247,535.85 of these warrants, as shown by the following table:

Month.	Number of purchases.	Amount.
1915.		
January.....	5	\$555,000.00
February.....	3	320,000.00
March.....	8	306,840.00
April.....	13	635,000.00
May.....	20	658,200.00
June.....	20	731,000.00
July.....	17	433,000.00
August.....	12	1,144,000.00
September.....	18	748,000.00
October.....	7	339,000.00
November.....	23	1,706,575.27
December.....	16	670,920.58
Total.....		8,247,535.85

These have been purchased at prices ranging from 2 per cent to 3½ per cent. The prevailing prices have been somewhat higher than in past years, due to purchases by Federal Reserve Banks and low money rates. These town notes are readily convertible, there being a good demand for them from savings banks and trustees.

THE HANDLING OF CHECKS.

There is no problem that has been given more careful study by the officers of this bank than that of the handling of checks for its member banks. In this particular district, owing to the highly developed system which has been operated for several years by the Boston Clearing House Association, the necessity for this bank to develop a collection system of its own, so far as the handling of intradistrict checks is concerned, was not so imperative as in most of the other districts, for through that medium a very large percentage of checks on New England banks, member and nonmember, are being handled at par. The need of member banks is largely for the handling of interdistrict checks, which not only form a large percentage of the total amount of checks they receive, but most of which are subject to a collection charge under the Boston Clearing House rules, member banks carrying accounts in other cities—principally Albany and Philadelphia—in order to collect these checks at par. The development of this interdistrict clearing is naturally dependent upon the development of the clearing systems in other districts.

In connection with the opening of the Federal Reserve Banks this bank advised its members that it would receive on deposit for immediate credit checks drawn on any Federal Reserve Bank and checks drawn by member banks on member banks in Boston only. This practice was continued until the collection system was inaugurated on June 15, 1915.

On November 13, 1914, the Federal Reserve Bank of Boston was elected a limited member of the Boston Clearing House Association, and on November 18, 1914, began to clear its Boston checks. From that date on the Boston banks made clearing-house settlements by checks drawn on this bank, a policy which still continues and which has done away with the payment of money in clearing-house transactions and the necessity of carrying through the streets large sums of currency to and from the clearing house. The method by which this is accomplished is as follows: Boston banks having debit balances against the clearing house each day draw their check in favor of the clearing-house manager, who in turn opens a temporary account in the Federal Reserve Bank. These checks he deposits each day and draws his checks in favor of banks gaining or having a credit balance.

On June 15, 1915, this bank inaugurated the voluntary clearing system generally adopted by the Federal Reserve Banks, a system of immediate debit and immediate credit for intradistrict checks. Forty-three banks joined this system at the outset, and since that time nine additional banks have joined and two withdrawn from the system, making the present number 50, as shown by the following list:

CITY OR TOWN AND NAME OF BANK.

Attleboro, Mass., First National Bank.	Manchester, N. H., Amoskeag National Bank.
Bellows Falls, Vt., National Bank of.	Manchester, N. H., Merchants National Bank.
Boothbay Harbor, Me., First National Bank.	Marlboro, Mass., First National Bank.
Boston, Mass., Boylston National Bank.	Marlboro, Mass., Peoples National Bank.
Boston, Mass., Commercial National Bank.	Millbury, Mass., Millbury National Bank.
Boston, Mass., First National Bank.	Montpelier, Vt., First National Bank.
Boston, Mass., Fourth Atlantic National Bank.	New Bedford, Mass., Mechanics National Bank.
Boston, Mass., Merchants National Bank.	Newburyport, Mass., Merchants National Bank.
Boston, Mass., National Union Bank.	New Haven, Conn., First National Bank.
Boston, Mass., Old Boston National Bank.	North Bennington, Vt., First National Bank.
Boston, Mass., Old Colony Trust Co.	Northborough, Mass., Northborough National Bank.
Boston, Mass., Peoples National Bank of Roxbury.	Norwood, Mass., Norwood National Bank.
Boston, Mass., Second National Bank.	Plymouth, Mass., Plymouth National Bank.
Boston, Mass., Webster & Atlas National Bank.	Portsmouth, N. H., First National Bank.
Bridgeport, Conn., First Bridgeport National Bank.	Providence, R. I., National Exchange Bank.
Chelsea, Mass., Broadway National Bank.	Quincy, Mass., Mount Wollaston National Bank.
Claremont, N. H., Claremont National Bank.	Springfield, Mass., Chicopee National Bank.
Clinton, Conn., Clinton National Bank.	Springfield, Mass., Springfield National Bank.
Danbury, Conn., Danbury National Bank.	Ware, Mass., Ware National Bank.
Gloucester, Mass., Cape Ann National Bank.	Westfield, Mass., Hampden National Bank.
Greenfield, Mass., First National Bank.	Windsor, Vt., State National Bank.
Greenwich, Conn., Greenwich National Bank.	Worcester, Mass., Merchants National Bank.
Haverhill, Mass., First National Bank.	Worcester, Mass., Worcester National Bank.
Hudson, Mass., Hudson National Bank.	
Holyoke, Mass., Park National Bank.	
Hopkinton, Mass., Hopkinton National Bank.	
Lynn, Mass., Manufacturers National Bank.	

As the reserves of the country banks are to be ultimately transferred to the Federal Reserve Banks, the Federal Reserve Banks must furnish its members with the facilities which they are receiving from their reserve correspondents. While the physical handling of items, both time and distance have one, it is not insurmountable, for

that means simply men and machines. The expense will be heavy, but there is little question but that a saving can be made over the present existing methods, and under the Federal Reserve Act this expense can be prorated among the member banks.

On the other hand, as the checks pertain to the reserves of the out-of-town member banks the problem is a more serious one.

On November 10, 1915, the Boston Clearing House passed the new schedule of collection charges appended hereto, which showed a substantial reduction. There is no question but that most of these changes were brought about by the facilities offered by the Federal Reserve Banks through the gold settlement fund, and by the collection system inaugurated in the clearing houses in other cities which are based to quite an extent on the facilities given by other Federal Reserve Banks. The problems involved in the handling of checks arise largely in connection with the out-of-town banks, especially as it pertains to their reserves, and in this connection it would appear that there was need for amendments to the Federal Reserve Act.

PUBLICITY.

Each month the Federal Reserve Agent has furnished for the Federal Reserve Bulletin a report on conditions in New England. In this connection information, opinions, and statistics have been furnished freely by the merchants in the different lines of trade, and by the local bankers, and this service and cooperation has been most helpful. The officers of the bank have furnished the local newspapers from time to time with such details of its operation as they felt would be of interest to the public at large. Rates of discount established by the bank appear each day in these papers. During the past year addresses have been made before State banking associations and before many trade associations, it being thought a matter of the greatest importance to have the bankers and merchants not only familiar with the details of the Federal Reserve System, but to have them interested in the work the bank is doing and the progress being made in the development of the system. The public apparently know very little about the new banking system or its purpose and every effort should be made to give them authentic information.

RELATIONS BETWEEN THE FEDERAL RESERVE BANK OF BOSTON AND ITS MEMBER BANKS.

Owing to the unusual condition existing in the money market, and to the fact that the reserve city banks offer facilities to the country banks which this bank has not yet developed, more particularly in connection with the collection of checks and other items, the latter banks have carried only their minimum reserve requirements with this bank and have used its facilities only to a limited extent. The relations between country bank officials and the officials of this bank have been most cordial. While many of the banks in this district are borrowing, most of them find it much more convenient to go to their correspondent bank and borrow, either in the form of a demand loan, with or without collateral, or against a certificate of deposit.

The comptroller's calls on the several dates show the total borrowings of member banks in the district as compared with their rediscounts with this bank, as follows:

	Total borrowed.	Borrowed, F. R. B.
Dec. 31, 1914.....	\$4,738,416	\$106,000
Mar. 4, 1915.....	4,047,708	234,531
May 1, 1915.....	3,969,796	410,723
June 23, 1915.....	4,284,445	370,441
Sept. 2, 1915.....	3,398,866	190,849
Nov. 10, 1915.....	2,985,406	131,725

The officials of the city banks on the other hand are apparently satisfied with the progress made in the development of this bank's functions. While but few of the Boston banks have rediscounted with us, almost all have intimated that should occasion arise they would do so. Furthermore, several Boston banks have entered into the acceptance business to a large extent, and the assistance that this bank has given in the matter of rates and market for acceptances has done much to bring it into favor with those banks. The Boston banks have also used this bank to a large extent in exchange transactions, and the services offered by the gold settlement fund have been used almost exclusively by those banks.

Thus far Boston banks have received more benefits from this bank than have the other banks in this district. A possible exception to this is in Aroostook County, Me., where, owing to an unusual situation surrounding the principal industry, the potato crop, banks have relied on this bank to a considerable extent to carry them through a trying period. The moral effect of having the Federal Reserve Bank of Boston stand behind them was not only appreciated by those banks, but enabled them to handle their business much more satisfactorily and to finance themselves without having to call upon this bank to an undue extent for rediscounts or without embarrassing their customers.

THE ATTITUDE OF STATE BANKS TOWARD THE FEDERAL RESERVE SYSTEM.

The trust companies in this district, at least those doing a commercial business, are watching with interest the operations of this bank, and several are inclined to enter the Federal Reserve System.

The relations between the officials of this bank and those of the State institutions have been most satisfactory, and frequent interchange of ideas and the cooperation received by these officials have been most helpful.

The board of directors have appointed a committee consisting of the governor, the Federal Reserve Agent, and one director to examine and pass on the condition of State banks applying for membership in the system. The class B director, group 1, is the third member of this committee in the case of trust companies located in Boston, and the class A director, group 1, on trust companies outside of Boston.

On the recommendation of the above committee the Federal Reserve Board admitted the Old Colony Trust Co. to membership on August 14, 1915. This trust company subscribed for 7,200 shares of stock, making payment of \$360,000, being 50 per cent of its subscription, on August 24, 1915, and on the same day transferred to this bank \$2,600,000 reserves.

In connection with the application of State banks for admittance to the Federal Reserve System, the assistance and cooperation of the Massachusetts banking department has been of great assistance, and the relations between the officials of this bank and those in that department are most cordial.

BANKERS' ACCEPTANCES.

New England imports a large volume of hides and wool from South America and cotton and jute from the Orient and other sections of the world. These shipments in the past have been financed through credits drawn on European centers. Since the opening of the Federal Reserve Banks these foreign trade transactions have been financed to a large extent through dollar credits drawn on this country and the acceptances arising therefrom have found a ready market in the Federal Reserve Banks. Several of the member banks in this district have entered this new field of finance and the Federal Reserve Bank of Boston has used every effort to further and develop that business, not only by buying a large amount of that class of paper,

but also through furnishing favorable forward discount rates to assist in protecting its member banks. The following member banks have entered this field:

1. First National Bank, Boston, Mass.
2. Fourth-Atlantic National Bank, Boston, Mass.
3. Merchants National Bank, Boston, Mass.
4. National Shawmut Bank, Boston, Mass.
5. Old Colony Trust Co., Boston, Mass.
6. Second National Bank, Boston, Mass.
7. Merchants National Bank, Worcester, Mass.

Under special permission of the Federal Reserve Board the First National Bank, of Boston, and the National Shawmut Bank, of Boston, have been given authority to accept up to 100 per cent of their capital and surplus. It is of interest to note that the former bank has reported the largest amount of acceptances of any member bank of the Federal Reserve System.

GOLD SETTLEMENT FUND.

The inauguration of the gold settlement fund in Washington is one of the most important developments of the Federal reserve system, and its influence has been felt by the banks in the district in facilitating the handling of domestic exchange, arising for the most part in connection with the collection of checks outside of the district. While this settlement fund has been used for the most part by the city banks, it has enabled those banks to collect the checks of the out-of-town banks with less expense. The influence of this fund has also been shown in the recent regulation on checks adopted by the Boston Clearing House Association and other associations.

Since the inauguration of this clearing fund between the Federal Reserve Banks this bank has handled for its member banks without cost to them about \$267,000,000 of exchange, only having to transfer \$680,000 of gold to the fund after the initial deposit.

ELECTION.

An election was held between November 16, 1915, and December 1, 1915, for the selection of a class A and a class B director. The retiring directors represented group 3, and, therefore, only banks in that group had the right to vote for their successors. Group 3 consists of 145 of the smaller banks in the district, and of that number only 60 banks certified district reserve electors. Only a moderate amount of interest was taken in the election and only three candidates were nominated for each class. Of the 60 electors only 52 voted. A majority of the votes cast were for the outgoing directors, Mr. Arthur M. Heard, of Manchester, N. H., class A, and Mr. Charles G. Washburn, of Worcester, Mass., class B, who therefore were declared reelected.

MEMBER BANKS.

When the Federal Reserve Bank of Boston commenced business on November 16, 1914, it had 439 member banks. Soon after this the Island Pond National Bank, Island Pond, Vt., joined the system, and on June 18, 1915, the First National Bank, Van Buren, Me., which had just been organized, joined. On August 24, 1915, the Old Colony Trust Co., Boston, Mass., also became a member, making a total of 442 banks.

During the first year the following nine banks have gone into liquidation and withdrawn from the system, leaving 433 member banks in this district:

Charter Oak National Bank, Hartford, Conn., consolidated with Phoenix National Bank, Hartford, Conn.

Pacific National Bank, Lawrence, Mass., consolidated with Merchants Trust Co., Lawrence, Mass.

Aetna National Bank, Hartford, Conn., consolidated with Hartford National Bank, Hartford, Conn.

National Union Bank, Woonsocket, R. I., consolidated with Woonsocket Trust Co., Woonsocket, R. I.

Winthrop National Bank, Boston, Mass., consolidated with Merchants National Bank, Boston, Mass.

New Haven County National Bank, New Haven, Conn., consolidated with New Haven Bank, N. B. A., New Haven, Conn.

Lynn National Bank, Lynn, Mass., consolidated with Lynn Safe Deposit & Trust Co., Lynn, Mass.

First Ward National Bank, Boston, Mass., and Mutual National Bank, Boston, Mass., formed Metropolitan Trust Co., Boston, Mass.

The capital stock of this bank has been increased 6,044 shares since the original payment was made on November 2, 1914. Through the admission of the Old Colony Trust Co. of Boston and the readjustment of the capital and surplus of member banks 9,359 additional shares have been issued to member banks at par. Through the liquidation of member banks and changes in capital and surplus 3,315 shares have been surrendered.

FIDUCIARY POWERS.

Under date of February 15, 1915, the Federal Reserve Board issued its circular inclosing regulations covering the granting of special permission to national banks to perform certain fiduciary functions under section 11 (k) of the Federal Reserve Act.

Thus far the applications of the following banks have been approved by the Federal Reserve Board:

TRUSTEE, EXECUTOR, ADMINISTRATOR, AND REGISTRAR OF STOCKS AND BONDS.

CONNECTICUT.

1915.

- Mar. 22. Middletown National Bank, Middletown.
- 22. Second National Bank, New Haven.
- 22. Manufacturers National Bank, Waterbury.
- Apr. 29. National Bank of Norwalk, Norwalk.
- May 8. National Tradesmens Bank, New Haven.
- 8. Merchants National Bank, New Haven.
- July 26. Yale National Bank, New Haven.
- Aug. 20. City National Bank, South Norwalk.
- 26. City National Bank, Bridgeport.

MASSACHUSETTS.

- Mar. 15. First National Bank, Boston.
- 18. National Shawmut Bank, Boston.
- 22. Merchants National Bank, Boston.
- 22. Second National Bank, Boston.
- 22. Union Market National Bank, Watertown.
- 22. Worcester National Bank, Worcester.
- 26. Peoples National Bank, Boston.
- 26. Merchants National Bank, Salem.
- 26. Merchants National Bank, Worcester.
- Apr. 3. National Mahaiwe Bank, Great Barrington.
- 3. Norwood National Bank, Norwood.
- 12. City National Bank, Holyoke.
- 20. First National Bank, Haverhill.
- 20. First National Bank, Webster.
- 22. Chicopee National Bank, Springfield.
- 24. Crocker National Bank, Turners Falls.
- 29. Home National Bank, Holyoke.

1915.

- May 8. Massachusetts-Pocasset National Bank, Fall River.
- 8. Mechanics National Bank, New Bedford.
- 10. Peoples National Bank, Marlboro.
- June 1. Agricultural National Bank, Pittsfield.
- July 26. Northampton National Bank, Northampton.
- Aug. 26. First National Bank, Marlboro.
- 26. Pittsfield National Bank, Pittsfield.
- Sept. 10. Cape Ann National Bank, Gloucester.
- 13. Greylock National Bank, Adams.
- Dec. 1. Holyoke National Bank, Holyoke.

NEW HAMPSHIRE.

- Apr. 3. Claremont National Bank, Claremont.
- 12. Strafford National Bank, Dover.
- 20. First National Bank, Concord.
- 20. Keene National Bank, Keene.

RHODE ISLAND.

- Mar. 26. Aquidneck National Bank, Newport.

VERMONT.

- May 5. Peoples National Bank, Brattleboro.
- 8. Citizens National Bank, Poultney.
- Oct. 21. First National Bank, Brandon.
- Dec. 1. Welden National Bank, St. Albans.

TRUSTEE, EXECUTOR, AND ADMINISTRATOR.

CONNECTICUT.

- Mar. 22. First National Bank, Wallingford.

NEW HAMPSHIRE.

- Mar. 18. Merchants National Bank, Dover.
- May 10. Indian Head National Bank, Nashua.

TRUSTEE, EXECUTOR, AND REGISTRAR OF STOCKS AND BONDS.

- Apr. 12. First National Bank, Portland, Me.
- Oct. 6. Norway National Bank, Norway, Me.

TRUSTEE, AND REGISTRAR OF STOCKS AND BONDS.

NEW HAMPSHIRE.

- June 7. Ashuelot National Bank, Keene.
- July 13. Citizens National Bank, Newport.
- 14. Wolfeboro National Bank, Wolfeboro.
- Aug. 2. Amoskeag National Bank, Manchester.
- Sept. 10. Mechanics National Bank, Concord.

TRUSTEE.

- May 6. Old Lowell National Bank, Lowell, Mass.

REGISTRAR OF STOCKS.

- Mar. 22. Essex National Bank, Haverhill, Mass.

REGISTRAR OF STOCKS AND BONDS.

- Sept. 21. City National Bank, Danbury, Conn.

In none of the New England States is there any statutory provision expressly authorizing national banks to act as trustee, executor, administrator, and registrar of stocks and bonds except Vermont. In Vermont the legislature of 1915 passed an act expressly authorizing national banks to act as executor, trustee, and administrator. New Hampshire recently passed an act forbidding banks to act as executor or administrator. The question as to whether this act applies to national banks as well as trust companies is now pending before the New Hampshire Supreme Court.

A committee, composed of the governor, the chairman, and the cashier, have passed upon the applications of member banks for powers under section 11 (k) of the Federal Reserve Act. In the case of each application this committee has scrutinized carefully both the resources and management of the applying bank before making its report. The committee makes its report to the board of directors, who make, through the chairman, a recommendation to the Federal Reserve Board based upon the report of that committee. The granting of these privileges has been greatly appreciated by member banks.

In determining the standing of these banks, the cooperation and assistance afforded by Mr. James D. Brennan, chief national-bank examiner of this district, has been of much value.

CREDIT NEEDS OF THE DISTRICT.

This is a savings district for the most part, and banking capital is in excess of the demands of local business. Therefore banks are obliged to seek investments in the open market. Commercial paper should constitute more of the investments of the commercial bank, especially of the country bank. The country bank's experience, however, in purchasing outside paper has not been very satisfactory, and this has led those banks to invest more and more in a poorer grade of bonds yielding a high per cent of income. These investments, in many cases, have not proved satisfactory, and many banks show a heavy shrinkage in their bond accounts.

The development of a credit department and its use by member banks is a subject that has been given careful consideration. Thus far the work in the credit department has been limited largely to the compiling of statistics and credit information on member banks and State banks applying for membership. The credit departments of the Boston banks have been of much assistance and have been frequently used in checking up the makers of notes offered for rediscount.

Every effort should be made by reserve banks to see that proper safeguards surround the commercial notes purchased by member banks through note brokers. It would seem advisable to standardize, as far as possible, the form of statement furnished by the broker to banks buying paper in the open market and that such statements should be certified to by outside accountants, and in the case of the larger borrowers that notes be registered by some responsible agent. This bank has furnished to its member banks a simple form of statement to be used in obtaining credit information from depositors and has recommended the forms adopted by the American Bankers' Association as a standard form when more detailed information was deemed necessary.

The provision of the Federal Reserve Act allowing member banks under certain restrictions to invest in farm mortgages has been exercised to but a limited extent by banks in this district, farm lands in New England not furnishing for the most part attractive security for loans. There is, however, in many of the country districts a demand for real-estate loans. If the Federal Reserve Act could be amended so that in lieu of the farm loan member banks outside of reserve cities could invest a certain portion of their time deposits in loans against improved local real estate, perhaps at 60 per cent of the assessed value of the land and buildings, member banks have stated they would avail themselves of that privilege, and could invest more of their surplus money locally and with greater safety.

COOPERATION BETWEEN FEDERAL RESERVE BANKS.

This bank has purchased about \$4,886,000 municipal notes, which it has distributed among the other Federal Reserve Banks. In matters pertaining to exchange between it and the other Federal Reserve Banks, this bank has allowed those exchanges to take a normal course and has not made any profit on such transactions. The board of directors voted to purchase from other Federal Reserve Banks a considerable block of rediscounts provided those banks found it necessary to rediscount.

RELATIONS BETWEEN THE GOVERNOR AND FEDERAL RESERVE AGENT.

The relations between the governor and the Federal Reserve Agent from the beginning have been those of partners rather than of officers in a corporation, both realizing that the ultimate success of the Federal Reserve Bank of Boston should be their first thought. Both have shared in the responsibilities and tried to direct the bank's policy for the greatest benefit of the commerce and member banks in this district. While the Federal Reserve Agent has had charge of the credit department and statistical work, his organization has been easy of access and freely used by the officers of the bank. On the other hand, the banking staff has assisted the Federal Reserve Agent's department in collecting statistics, in handling unfit Federal Reserve notes, and this service has been given freely when needed. There has been cooperation at all times between the banking department and the department of the Federal Reserve Agent.

EFFECT OF RATES OF DISCOUNT FIXED BY THE FEDERAL RESERVE BANK ON MONEY RATES IN THIS DISTRICT.

The opening of the Federal Reserve Bank of Boston on November 16, 1914, had a marked effect upon the then existing money rates in this district, especially so in the large centers. This, however, was caused more through the release of cash formerly held by member banks as reserve than by the establishment of discount rates by this bank.

Within a few days after the opening of the bank rates were reduced anywhere from 1 to 2 per cent and the banks in the large centers were more inclined to extend accommodation to their own customers, and the demand rate on brokers' loans was equally materially reduced. The establishment of the lower rates from time to time affected the rates paid by the country bank on its borrowings, for the Boston banks, wishing to retain the loans of the out of town banks, met those rates and the country banker has been able to borrow money during the past year probably lower than he ever has before.

On the other hand, the exceptionally large reserves in the centers have no doubt been a factor in the reducing of rates. During the past 12 months the country banks have been borrowing on an average of about \$4,000,000, and as this bank has only rediscounted on an average about \$200,000 of that amount that fact is apparent.

The following table shows that trend of rates in this district since November, 1914:

	1914		1915											
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.
Call money.....	6-7	4½-5½	4-5½	3½-4	3	3	3	3	3	3	3	3	3	3
Time money, 6 months or less.....	6-7	5-6	4-5	4-4½	3½-4½	3½-4½	3½-4½	3½-4½	3½-4½	3½-4	3½-4	3½-4	3½-4½	3½-4½
Year money.....	6	5½	5	4½	4½	4½	4½	4½	4½	4½	4½	4½	4½	4½
Acceptances.....	.....	.....	2½-2½	2-2½	2-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2-2½	2-2½	2-2½
Town notes.....	4	3½-4	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	2½-3	2½-2½	2-2½
Between banks.....	6	5½-6	4-5	3½-4	3½-4	3½-4	3½-4	3½-4	3½-4	3-4	3-4	3-4	3-4	3-4

DISTRICT PROBLEMS.

The influence of the new reserve requirements, which became operative at the time the Federal Reserve Bank opened, is a subject which is worth studying. Reference to the subject of reserves has been made elsewhere in this report, especially as it refers to the problem surrounding the collection of checks and its influence in the retiring of emergency circulation.

Thus far, for the most part, the reduction in the new reserve requirements has been of little help to the out-of-town bank.

On the other hand, the Boston banks, Boston being the only reserve city in this district, have been able to reduce their reserves nearer the minimum. The releasing of these reserves and the release of reserves in central reserve cities, especially New York and Chicago, have produced a surplus in bank reserves which has greatly depressed the money market, producing low rates, which have reacted against the country bank.

Another problem, which is not perhaps peculiar to this district is so important that mention should be made of it, is the practice of allowing high rates of interest by banks on open accounts and time deposits. While competition for business has brought this practice about and will cause its continuation, still especially in the case of the out-of-town bank it weakens the bank's condition, these banks feeling obliged to invest their funds in loans and securities of a lower grade than good banking practice would warrant in order to show a profit on those accounts. This question of interest paid on accounts pertains likewise to the State institutions, and cooperation between State banking departments and the officers of the Federal Reserve System would seem advisable.

INDUSTRIAL AND AGRICULTURAL SITUATION.

The general industrial situation in this district at the time this bank began business was unsatisfactory, due to quite an extent to circumstances connected with the European struggle. Mills were running only a proportion of their capacity, and, owing to the prevailing high rates of money and the unsettled condition in staple products, general business was marking time. Orders for foreign consumption, however, were arriving in increasing amounts, and these orders for boots, shoes, leather, arms, ammunition, woolen goods, and machinery have been the principal stimulus to business for the greater part of the past year. Early in the fall, however, domestic orders began to appear, especially from the South and West, and our mills began to feel the effect of the falling off of foreign-made goods. While emergency orders are still an important factor in some centers, general business has shown a steady improvement from domestic trade, and on the whole every line, with but a very few exceptions, reports good business. Labor is apparently well employed all over the States, and especially in agricultural districts is hard to obtain. The dye situation, which affects the textile trade, has been getting more and more serious and has restricted the production of certain goods.

While New England is largely a manufacturing district, agriculture plays quite an important factor in the outlying sections. A year ago, with the exception of the potato crop, the general run of farm products was good and brought fair prices. The foot-and-mouth disease was heavily felt in the spring in certain sections where farmers have relied on carrying over stock for spring market. The season of 1915 on the whole has been unsatisfactory for the farmer, the early rainy weather, together with the unseasonable spring and summer months, has brought rather poor returns from most of the crops, especially the hay crop, which is an important one in New England. On the other hand, the potato crop in Maine, where it is the most important factor, has been unusually good and prices for that commodity range high. The farmers relying on that crop will probably more than make up for their losses last year.

EARNINGS AND EXPENSES.

Not until January 9, 1915, when the tentative regulation of the Federal Reserve Board on the purchase of town warrants was received, was this bank in a position to invest any of its money, with the exception of a limited amount of notes rediscounted for its member banks. The release on February 12, 1915, of Circular 5 of that board enabled this bank to buy bankers' acceptances, and these two classes of loans have formed the greater part of its investments throughout the year.

During the period of organization the expenses were heavy. On June 30, 1915, therefore, an operating loss of \$26,243.80 was shown. In addition to that its share of the expenses of the Federal Reserve Board, its organization expense, and the cost of preparing a large supply of Federal Reserve notes created an expense of \$56,562.70, this expense to be distributed over several years and charged off as earnings warrant.

It is the custom of this bank to count as income only actual interest and discount earned, unearned income being carried in a separate account and transferred from day to day as earned to current income. On June 30, 1915, this bank showed unearned income of \$23,550.83, or an amount nearly equal to the operating loss.

While the demand for rediscounts from member banks has not increased, investments in acceptances, town warrants, and Government bonds during the second half of the year have been such that the earnings for that period make a much more satisfactory showing, the surplus for the second period being practically enough to take care of the operating loss of the first eight months.

LINE OF DEVELOPMENT.

The past year has been one of development. The officers and directors of the bank have had no precedents to guide them. They have been blazing a new trail, and, although each step has had to be carefully thought out, progress has been steadily made. The problems of this bank have been so different from those of the ordinary commercial bank that past experience and training have been of little help in solving them. Each problem as it came up has had to be carefully analyzed and solved only after the most careful study and inquiry into all conditions affecting it. It has been the aim of the officers and directors of this bank to put it in operation and to carry on its business with as little disturbance to the financial machinery of this district as possible. Its development has not been forced, but has come naturally, adjusting its policy to present banking conditions and making innovations slowly and with due care. It has been its aim to conserve its resources in such shape as to make them available should occasion arise when member banks should need its services.

APPENDIX.

BOSTON CLEARING HOUSE ASSOCIATION.

[Collection schedule, January, 1914.]

FOR NEW ENGLAND.

Free.—All items on Providence, R. I., and checks on banking institutions remitting at par through the Boston Clearing House.

One-tenth of 1 per cent.—All other New England items (exceptions noted Below).¹

OUTSIDE NEW ENGLAND.

Discretionary.—All items on Albany, N. Y.; Baltimore, Md.; Bayonne, N. J.; Hoboken, N. J.; Jersey City, N. J.; Newark, N. J.; New York, N. Y.; Philadelphia, Pa.; and Troy, N. Y.

¹ One-twentieth of 1 per cent.—Caribou, Fort Fairfield, Fort Kent, Houlton, Mars Hill, Presque Isle, Van Buren, and Washburn in State of Maine.

One-tenth of 1 per cent.—All items on Canada, Delaware, District of Columbia, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, Virginia, West Virginia, and Wisconsin.

One-fourth of 1 per cent.—All items on Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indian Territory, Kansas, Louisiana, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, and Wyoming.

No charge less than 10 cents.

CHARGE POINTS NOVEMBER, 1914.

[Showing points that have gone on par list since that date.]

BOSTON CLEARING HOUSE.

FOREIGN DEPARTMENT.

Checks on banking institutions, as listed below, will be received on deposit subject to a discount of one-tenth or one-twentieth of 1 per cent as stated, under the rules and regulations adopted by the Clearing House Association.

VERMONT.

One-tenth of 1 per cent.

Barton Savings Bank & Trust Co.
Bethel, National White River Bank.
Bradford National Bank.
Bristol, First National Bank.
Burlington, Howard National Bank.
Burlington, City Trust Co.
Burlington, Merchants National Bank.
Burlington Trust Co.
Burlington, Chittenden County Trust Co.
Chelsea, National Bank of Orange County
Chester, National Bank of.
Danville, Caledonia National Bank.
Derby Line, National Bank of.
Enosburg Falls Savings Bank & Trust Co.
Enosburg Falls, First National Bank.
Essex Junction, Essex Trust Co.
Fairhaven, Allen National Bank.
Fairhaven, First National Bank.
Hardwick, Granite Trust Co.
Hardwick Savings Bank & Trust Co.
Hyde Park, Lamoille County National Bank.
Island Pond National Bank.
Ludlow Savings Bank & Trust Co.
Lyndonville National Bank.
Manchester Center, Factory Point National Bank.
Middlebury National Bank.
Middletown Springs, L. & A. Y. Gray.
Montpelier National Bank.
Morrisville, Union Savings Bank & Trust Co.
Newport, National Bank of.
Newport, Orleans Trust Co.¹
North Bennington, First National Bank.
Northfield National Bank.
Northfield Savings Bank.
North Troy, Valley Savings Bank & Trust Co.
Orleans, Central Savings Bank & Trust Co.

Poultney, First National Bank.
Poultney, Citizens National Bank.
Proctor Trust Co.
Proctorsville, National Black River Bank.
Randolph National Bank.
Richford Savings Bank & Trust Co.
Rutland, Clement National Bank.
Rutland, Killington National Bank.
Rutland, Rutland County National Bank.
Rutland, Rutland Trust Co.
Springfield, First National Bank.
St. Albans, Welden National Bank.
St. Albans, Franklin County Savings Bank.
St. Albans, Peoples Trust Co.
Swanton Savings Bank & Trust Co.
Vergennes, National Bank of.
West Rutland Trust Co.
White River Junction, First National Bank of.
White River Junction, Hartford Savings Bank & Trust Co.
Winoski, Champlain Trust Co.
Woodstock National Bank.

MAINE.

One-twentieth of 1 per cent.

Caribou, Aroostook Trust Co.
Caribou National Bank.
Fort Fairfield National Bank.
Fort Fairfield, Frontier Trust Co.
Fort Keht Trust Co.
Houlton, Farmers National Bank.
Houlton, First National Bank.
Houlton Trust Co.
Mars Hill Trust Co.
Presque Isle National Bank.
Presque Isle, Merchants Trust & Banking Co.
Van Buren Trust Co.
Van Buren, First National Bank.
Washburn, Aroostook Trust Co.

¹ Have gone on par list since Nov. 16, 1914.

NEW HAMPSHIRE.

One-tenth of 1 per cent.

Berlin National Bank.
 Berlin Guaranty Trust Co.
 Colebrook, Farmers & Traders National Bank.
 Colebrook National Bank.
 Conway National Bank.
 Groveton, Coos County National Bank.
 Lancaster National Bank.
 Lancaster Trust Co.
 Lisbon Savings Bank & Trust Co.
 Littleton National Bank.
 North Conway Loan & Banking Co.
 Whitefield Bank & Trust Co.

Wolfborough, National Bank.
 Woodsville National Bank.

CONNECTICUT.

One-tenth of 1 per cent.

Ansonia National Bank.¹
 Darien, Home Bank & Trust Co.¹
 Derby, Birmingham National Bank.¹
 Mystic River National Bank.
 Norwalk, Fairfield County National Bank.
 Norwalk, Central National Bank & Peoples Trust Co.
 Seymour Trust Co.¹
 Shelton Trust Co.¹
 Thomaston National Bank.

C. A. RUGGLES, *Manager*.

NOVEMBER, 1914.

CHARGE POINTS, NOVEMBER 16, 1915.

BOSTON CLEARING HOUSE ASSOCIATION.

NOVEMBER 16, 1915.

At a special meeting of the Boston Clearing House Association, held to-day, the "Rules and regulations regarding collections" were amended to make discretionary the following additional points:

1. Checks on points receivable upon deposit at par by Federal Reserve Banks in the cities of Boston, New York, and Philadelphia from their respective member banks.
2. Checks on banks and trust companies in the States of New York and New Jersey receivable upon deposit at par by members of the New York Clearing House Association.
3. Checks on Federal Reserve Banks, provided that the credit of interest upon such checks shall be delayed in accordance with the schedule of deferred credit adopted by the Federal Reserve Bank of Boston.
4. Items on Chicago and St. Louis.
5. Drafts drawn upon insurance companies and mutual savings banks located in New England.

The "Rules and regulations regarding collections" as amended now read as follows:

SECTION 1. These rules and regulations shall apply to all members of the association, and to all banks or trust companies or others clearing through such members. The parties to which the same so apply are hereinafter described as collecting banks.

SEC. 2. The charges shall be discretionary with the clearing bank and shall not be governed by the provisions of these rules and regulations upon the following items:

- a. All items collected for account of the Governments of the United States, the Commonwealth of Massachusetts, or the city of Boston.
- b. New England checks collectible at par through the Boston Clearing House.
- c. Checks which Federal Reserve Banks in the cities of Boston, New York, and Philadelphia shall give notice that they will receive upon deposit at par from their respective member banks.
- d. Checks on banks and trust companies in the States of New York and New Jersey receivable upon deposit at par by members of the New York Clearing House Association.

e. Checks drawn upon any Federal Reserve Bank: *Provided*, That the credit of interest upon such checks shall be delayed in accordance with the schedule of deferred credit adopted by the Federal Reserve Bank of Boston.

f. Items payable in the cities of New York, Providence, Albany, Troy, Jersey City, Newark, Hoboken, Bayonne, Philadelphia, Baltimore, Chicago, and St. Louis.

g. Drafts drawn upon insurance companies and mutual savings banks located in New England.

SEC. 3. For all items payable at any point in New England, excepting—

- a. Items on the city of Providence, R. I.,
- b. Checks collectible at par through the Federal Reserve Bank of Boston,

¹ Have gone on par list since Nov. 16, 1914.

c. Checks on those banking institutions which pay checks on themselves sent through the clearing house by remitting therefor promptly on receipt thereof, without charge, checks on some member of the Boston or New York Clearing House, or upon some banking institution clearing through some such member; and

d. Drafts drawn upon insurance companies and mutual savings banks located in New England, the collecting bank shall charge not less than one-tenth of 1 per cent of the amount of the items respectively, and in no case less than 10 cents upon any one item, but all such items received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged.

Until further notice from the clearing house committee, section 3 of the rules and regulations regarding collections outside the city of Boston is modified by the addition of the following:

"Should any banking institution in New England pay checks on itself sent through the clearing house by remitting therefor promptly on receipt thereof, with a charge of one-twentieth of 1 per cent, checks on some member of the Boston or New York clearing house, or upon some banking institution clearing through some such member, the collecting bank shall charge not less than one-twentieth of 1 per cent of the amount of the items, respectively, and in no case less than 10 cents upon any one item; but all such items received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged."

SEC. 4. For all items received (except those on Federal Reserve Banks and on the points declared discretionary in sec. 2), payable at points in Delaware, District of Columbia, Indiana, Illinois, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, Virginia, West Virginia, Wisconsin, and Canada, the collecting bank shall charge not less than one-tenth of 1 per cent of the amount of the items, respectively, and in no case less than 10 cents upon any one item; but all items described in this section received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged.

SEC. 5. For all items (except those on Federal Reserve Banks) payable at points in Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indian Territory, Kansas, Louisiana, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, and Wyoming, the collecting bank shall charge not less than one-quarter of 1 per cent of the amount of the items, respectively, and in no case less than 10 cents upon any one item; but all items described in this section received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged.

SEC. 6. The charges herein specified are in all cases to be collected at the time of deposit or not later than the 10th day of the following calendar month. No collecting bank shall directly or indirectly allow any abatement, rebate, or return for or on account of such charges, or make in any form any compensation therefor.

SEC. 7. In case any member of the association shall learn that these rules and regulations have been violated by any of the collecting banks, it shall immediately report the facts to the chairman of the clearing house committee, or, in his absence, to the manager of the clearing house. Upon receiving information from any source that there has been a violation of the same, said chairman, or, in his absence, said manager, shall call a meeting of the committee. The committee shall investigate the facts, and determine whether a formal hearing is necessary. In case the committee so concludes, it shall instruct the manager to formulate charges and present them to the committee. A copy of the charges, together with written notice of the time and place fixed for hearing regarding the same, shall be served upon the collecting bank charged with such violation, which shall have the right at any hearing to introduce such relevant evidence and submit such argument as it may desire. The committee shall hear whatever relevant evidence may be offered by any person and whatever arguments may be submitted, and shall determine whether the charges are sustained. In case it reaches the conclusion that they are, the committee shall call a special meeting of the association and report thereto the facts with its conclusions. If the report of the committee is approved by the association, the collecting bank charged with such violation shall pay to the association the sum of \$1,000; and in case of a second violation of these rules and regulations any collecting bank may also, in the discretion of the association, be excluded from using its privileges directly or indirectly, and, if it is a member, expelled from the association.

CHARLES P. BLINN, Jr., *Secretary.*

BOSTON CLEARING HOUSE ASSOCIATION.

[List No. 2. December 6, 1915.]

Banks outside of New England upon which the charge is discretionary:

All items on the cities of—

Albany, N. Y.
 Baltimore, Md.
 Bayonne, N. J.
 Chicago, Ill.
 Hoboken, N. J.
 Jersey City, N. J.

Checks upon the following banks:

Federal Reserve Banks—

Atlanta, Ga.
 Chicago, Ill.
 Cleveland, Ohio.
 Dallas, Tex.
 Kansas City, Mo.
 Minneapolis, Minn.

All items on the cities of—Continued.

Newark, N. J.
 New York, N. Y.
 Philadelphia, Pa.
 St. Louis, Mo.
 Troy, N. Y.

Federal Reserve Banks—Continued.

New York, N. Y.
 Philadelphia, Pa.
 Richmond, Va.
 St. Louis, Mo.
 San Francisco, Cal.

DELAWARE.

Delmar, First National Bank.

Seaford, First National Bank.

NEW JERSEY.

Allentown, Farmers National Bank.
 Arlington, First National Bank.
 Asbury Park, Asbury Park & Ocean Grove Bank.
 Asbury Park, Asbury Park Trust Co.
 Asbury Park, Seacoast National Bank.
 Atlantic City, Boardwalk National Bank.
 Atlantic City, Marine Trust Co.
 Bayonne, all items.
 Bellevue, First National Bank.
 Berlin, Berlin National Bank.
 Bernardsville, Bernardsville National Bank.
 Blackwood, First National Bank.
 Blairstown, First National Bank.
 Bloomfield, Bloomfield National Bank.
 Bloomfield, Bloomfield Trust Co.
 Bloomfield, The Watseessing Bank.
 Boonton, Boonton National Bank.
 Bound Brook, Bound Brook National Bank.
 Bound Brook, First National Bank.
 Caldwell, Caldwell National Bank.
 Caldwell, Citizens' National Bank.
 Camden, Camden National Bank.
 Camden, Camden Safe Deposit & Trust Co.
 Camden, First National Bank.
 Carlstadt, Carlstadt National Bank.
 Clayton, Clayton National Bank.
 Clifton, Clifton Trust Co.
 Clinton, Clinton National Bank.
 Closter, Closter National Bank.
 Cranford, Cranford Trust Co.
 Dunellen, First National Bank.
 East Orange, East Orange Bank.
 East Orange, Essex County Trust Co.
 East Orange, People's Bank.

East Orange, Savings, Investment & Trust Co.
 Edgewater, First National Bank.
 Edgewater, Northern New Jersey Trust Co.
 Elizabeth, Elizabethport Banking Co.
 Elizabeth, Elizabeth Trust Co.
 Elizabeth, National State Bank.
 Elizabeth, Union County Trust Co.
 Englewood, Citizens' National Bank.
 Englewood, Palisades Trust & Guaranty Co.
 Englishtown, First National Bank.
 Flemington, Flemington National Bank.
 Flemington, Hunterdon County National Bank.
 Fort Lee, First National Bank.
 Freehold, National Freehold Banking Co.
 Garfield, First National Bank.
 Glen Ridge, Glen Ridge Trust Co.
 Guttenberg, First National Bank.
 Hackensack, Hackensack National Bank.
 Hackensack, Hackensack Trust Co.
 Hackensack, Peoples National Bank.
 Hackettstown, Hackettstown National Bank.
 Hackettstown, Peoples National Bank.
 Haddon Heights, Haddon Heights National Bank.
 Harrison, West Hudson County Trust Co.
 Hoboken, all items.
 Hope, First National Bank.
 Jersey City, all items.
 Lakewood, People's National Bank.
 Lyndhurst, First National Bank.
 Manasquan, Manasquan National Bank.
 Matawan, Farmers & Merchants National Bank.

Millville, Mechanics National Bank.
 Montclair, Bank of Montclair.
 Montclair, Essex National Bank.
 Montclair, Essex Title Guaranty & Trust Co.
 Montclair, First National Bank.
 Montclair, Montclair Trust Co.
 Moorestown, Moorestown National Bank.
 Morristown, American Trust Co.
 Morristown, First National Bank.
 Morristown, Morristown Trust Co.
 Morristown, National Iron Bank.
 Mount Holly, Union National Bank.
 Netcong, Citizens National Bank.
 Newark, all items.
 New Brunswick, National Bank of New Jersey.
 New Brunswick, New Brunswick Trust Co.
 New Brunswick, Peoples National Bank.
 Nutley, Bank of Nutley.
 Orange, Orange National Bank.
 Orange, Second National Bank.
 Passaic, Hobart Trust Co.
 Passaic, Merchants Bank.
 Passaic, Passaic National Bank.
 Passaic, Passaic Trust & Safe Deposit Co.
 Passaic, Peoples Bank & Trust Co.
 Paterson, Citizens Trust Co.
 Paterson, First National Bank.
 Paterson, German-American Trust Co.
 Paterson, Hamilton Trust Co.
 Paterson, Paterson National Bank.
 Paterson, Paterson Safe Deposit & Trust Co.
 Paterson, Second National Bank.
 Paterson, Silk City Safe Deposit & Trust Co.
 Pedricktown, First National Bank.
 Perth Amboy, First National Bank.
 Perth Amboy, Perth Amboy Trust Co.
 Pitman, Pitman National Bank.
 Plainfield, City National Bank.
 Plainfield, First National Bank.
 Plainfield, Plainfield Trust Co.
 Plainfield, State Trust Co.
 Pompton Lakes, First National Bank.
 Port Norris, First National Bank.
 Princeton, Princeton Bank.
 Ridgely Park, First National Bank.
 Ridgewood, First National Bank.
 Ridgewood, Ridgewood Trust Co.
 Rockaway, First National Bank.
 Roosevelt, First National Bank.
 Roselle, First National Bank.
 Rutherford, Bergen County Bank.
 Rutherford, Rutherford National Bank.
 Rutherford, Rutherford Trust Co.
 Secaucus, First National Bank.
 Somerville, First National Bank.
 Somerville, Second National Bank.
 South Orange, People's Bank (branch of East Orange).
 South Orange, Savings Investment & Trust Co.
 South River, First National Bank.
 South River, South River Trust Co.

Spring Lake, First National Bank.
 Summit, First National Bank.
 Summit, Summit Trust Co.
 Swedesboro, Swedesboro National Bank.
 Tenafly, First National Bank.
 Toms River, First National Bank.
 Union, Town of, First National Bank.
 Vineland, Tradesmen's Bank.
 Weehawken (see Union, town of).
 Westfield, National Bank of Westfield.
 Westfield, Peoples National Bank.
 Westfield, Westfield Trust Co.
 West Hoboken, Commonwealth Trust Co.
 West Hoboken, National Bank of North Hudson.
 West New York, N. J. Title Guaranty & Trust Co.
 West Orange, First National Bank.
 Westwood, First National Bank.
 Woodbridge, First National Bank.
 Williamstown, First National Bank.

NEW YORK.

Albany, all items.
 Amityville, Bank of Amityville.
 Amityville, First National Bank.
 Amsterdam, First National Bank.
 Astoria, all items.
 Babylon, Babylon National Bank.
 Babylon, Bank of Babylon.
 Bay Shore, First National Bank.
 Bay Shore, South Side Bank.
 Bayside, all items.
 Bronxville, Gramatan National Bank.
 Brooklyn, all items.
 Buffalo, Bank of Buffalo.
 Buffalo, Buffalo Trust Co.
 Buffalo, Central National Bank.
 Buffalo, Commonwealth Trust Co.
 Buffalo, German-American Bank.
 Buffalo, Manufacturers & Traders National Bank.
 Buffalo, Marine National Bank.
 Buffalo, Market Bank.
 Buffalo, Peoples Bank.
 Buffalo, Third National Bank.
 Cazenovia, Cazenovia National Bank.
 College Point, all items.
 Corona, all items.
 Dundee, Dundee National Bank.
 Elmhurst, all items.
 Elmira, Merchants National Bank.
 Elmira, Second National Bank.
 Far Rockaway, all items.
 Farmingdale, Bank of Farmingdale.
 Farmingdale, First National Bank.
 Fleischmanns, Citizens Bank of Griffins' Corner.
 Floral Park, Floral Park Bank.
 Flushing, all items.
 Freeport, First National Bank.
 Freeport, Freeport Bank.
 Geneva, First National Bank.
 Glen Cove, Glen Cove Bank.
 Glen Cove, Nassau Union Bank.
 Glens Falls, First National Bank.

Glens Falls, National Bank of Glens Falls.
 Granville, Washington County National Bank.
 Great Neck, Bank of Great Neck.
 Greenwich, First National Bank.
 Groton, Mechanics Bank.
 Gouverneur, First National Bank.
 Hempstead, First National Bank.
 Hempstead, Hempstead Bank.
 Highland Falls, First National Bank.
 Hoosick Falls, Peoples National Bank.
 Hudson Falls, Peoples National Bank.
 Huntington, Bank of Huntington.
 Huntington, First National Bank.
 Ithaca, First National Bank.
 Ithaca, Tompkins County National Bank.
 Jamaica, all items.
 Lake Placid, Lake Placid National Bank.
 Larchmont, Larchmont National Bank.
 Lawrence, Bank of Lawrence.
 Lockport, National Exchange Bank.
 Lockport, Niagara County National Bank.
 Long Island City, all items.
 Lynbrook, Lynbrook National Bank.
 Mamaroneck, First National Bank.
 Mariners Harbor, all items.
 Mechanicsville, Manufacturers National Bank.
 Middleport, First National Bank.
 Millbrook, Bank of Millbrook.
 Mineola, First National Bank.
 Mineola, Nassau County Trust Co.
 Mount Vernon, First National Bank.
 Mount Vernon, Mount Vernon Trust Co.
 Newburgh, Highland National Bank.
 New Brighton, all items.
 New Rochelle, Huguenot Trust Co.
 New Rochelle, National City Bank.
 New Rochelle, New Rochelle Trust Co.
 New Rochelle, North Avenue Bank.
 New York City, all items.
 Niagara Falls, Niagara Falls Trust Co.
 Niagara, Power City Bank.
 Northport, First National Bank.
 Northport, Northport Trust Co.
 Nyack, Nyack National Bank.
 Nyack, Rockland County Trust Co.
 Ogdensburg, National Bank of Ogdensburg.
 Ossining, First National Bank.
 Ossining, Ossining National Bank.
 Oyster Bay, North Shore Bank.
 Oyster Bay, Oyster Bay Bank.
 Ozone Park, all items.
 Pearl River, First National Bank.
 Peekskill, Westchester County National Bank.
 Perry, First National Bank.
 Philmont, First National Bank.
 Plattsburg, First National Bank.
 Pleasantville, Mount Pleasant Bank.
 Port Chester, First National Bank.
 Port Chester, Mutual Trust Co. of Westchester County.
 Port Jefferson, Bank of Port Jefferson.
 Port Jefferson, First National Bank.
 Port Richmond, all items.

Port Washington, Bank of North Hempstead.
 Richmond Hill, all items.
 Ridgewood, Ridgewood National Bank.
 Rochester, Traders National Bank.
 Rockaway Beach, all items.
 Rockville Center, Bank of Rockville Center.
 Rockville Center, First National Bank.
 Roslyn, Bank of Hempstead Harbor.
 Rye, Rye National Bank.
 Salem, Peoples National Bank.
 Saranac Lake, Adirondack National Bank.
 Saratoga Springs, Adirondack Trust Co.
 Saratoga Springs, Citizens National Bank.
 Schenectady, Citizens Trust Co.
 Schenectady, Mohawk National Bank.
 Schenectady, Schenectady Trust Co.
 Schenectady, Union National Bank.
 Smithtown Branch, National Bank of Smithtown Branch.
 Southampton, First National Bank.
 Stapleton, all items.
 Stony Brook, Bank of Suffolk County.
 Syracuse, Central City Trust Co.
 Syracuse, City Bank of Syracuse.
 Syracuse, Commercial National Bank.
 Syracuse, First National Bank.
 Syracuse, Merchants National Bank.
 Syracuse, National Bank of Syracuse.
 Syracuse, Salt Springs National Bank.
 Syracuse, Syracuse Trust Co.
 Syracuse, Third National Bank.
 Syracuse, Trust & Deposit Co. of Onondaga.
 Tottenville, all items.
 Troy, all items.
 Tuckahoe, First National Bank.
 Westbury, Bank of Westbury.
 Westhampton Beach, Seaside Bank.
 Whitestone, all items.
 White Plains, Central Bank of Westchester County.
 White Plains, Citizens Bank.
 White Plains, County Trust Co.
 White Plains, First National Bank.
 Woodhaven, all items.
 Yonkers, First National Bank.
 Yonkers, Westchester Trust Co.
 Yonkers, Yonkers National Bank.

PENNSYLVANIA.

*Allentown, Allentown National Bank.
 Allentown, Merchants National Bank.
 Allentown, Second National Bank.
 Altoona, First National Bank.
 Altoona, Second National Bank.
 Blue Ball, Blue Ball National Bank.
 Bradford, Bradford National Bank.
 Canton, Farmers National Bank.
 Canton, First National Bank.
 Catawauqua, National Bank of Catawauqua.
 Chambersburg, National Bank of Chambersburg.

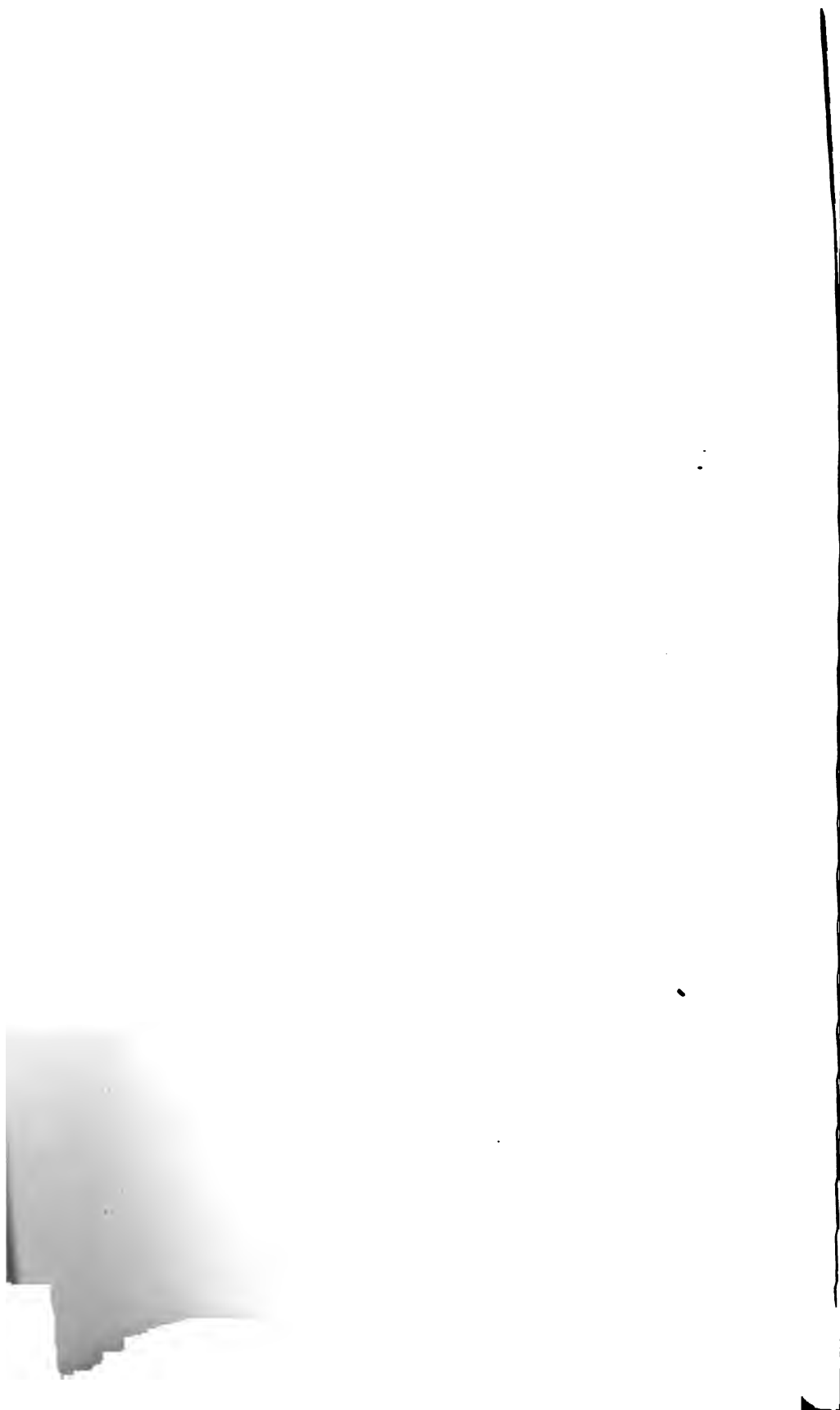
Clarks Summit, Abington National Bank.
 Coatesville, National Bank of Chester Valley.
 Collegeville, Collegeville National Bank.
 Coplay, Coplay National Bank.
 Danville, Danville National Bank.
 Danville, First National Bank.
 Duncannon, Duncannon National Bank.
 Duncannon, Peoples National Bank.
 Dunmore, First National Bank.
 East Berlin, East Berlin National Bank.
 Fawn Grove, First National Bank.
 Freeland, First National Bank.
 Girardville, First National Bank.
 Glenside, Glenside National Bank.
 Hamburg, First National Bank.
 Hazleton, First National Bank.
 Honey Brook, First National Bank.
 Howard, First National Bank.
 Huntingdon, First National Bank.
 Lancaster, Northern National Bank.
 Lancaster, Peoples National Bank.
 Landisville, First National Bank.
 Lansdale, First National Bank.
 Lehigh, First National Bank.
 Lemasters, Lemasters National Bank.
 McConnellsburg, First National Bank.
 Marietta, Exchange National Bank.
 Millersville, Millersville National Bank.
 Milton, Milton National Bank.
 Mount Joy, First National Bank.
 Mount Union, First National Bank.
 Mountville, Mountville National Bank.
 Nazareth, Nazareth National Bank.
 Norristown, Peoples National Bank.

North Wales, North Wales National Bank.
 Philadelphia, all items.
 Phoenixville, National Bank of Phoenixville.
 Pottsville, Miners National Bank.
 Pottsville, Pennsylvania National Bank.
 Quakertown, Quakertown National Bank.
 Reading, National Union Bank.
 Ridgway, Elk County National Bank.
 Scranton, First National Bank.
 Scranton, Third National Bank.
 Scranton, Traders National Bank.
 Selins Grove, Farmers National Bank.
 Shippensburg, Peoples National Bank.
 Tamaqua, First National Bank.
 Terre Hill, Terre Hill National Bank.
 Tremont, Tremont National Bank.
 Troy, Grange National Bank of Bradford County.
 Waynesboro, Citizens National Bank.
 Waynesboro, Peoples National Bank.
 West Chester, First National Bank.
 West Chester, National Bank of Chester County.
 Williamsport, First National Bank.
 Williamsport, West Branch National Bank.
 York, Central National Bank.
 York, First National Bank.
 York, York National Bank.

VIRGINIA.

Richmond, checks on all banks.

C. A. RUGGLES, *Manager*.



DISTRICT NO. 2—NEW YORK.

PIERRE JAY, Chairman and Federal Reserve Agent.

CHAPTER I.—ORGANIZATION.

DESIGNATION OF DISTRICT NO. 2.

The designation of New York State as Federal Reserve District No. 2, with New York City as the location of the Federal Reserve Bank, was made by the reserve bank organization committee on April 2, 1914.

CERTIFICATE OF INCORPORATION.

The certificate of incorporation, signed by the following as incorporators: The National Commercial Bank, Albany; National Park Bank, New York; Marine National Bank, Buffalo; First National Bank, Syracuse; Irving National Bank, New York, was filed with the Comptroller of the Currency May 18, 1914, whereupon the Federal Reserve Bank of New York became a body corporate.

BOARD OF DIRECTORS.

The election of the three class A and the three class B directors of the Federal Reserve Bank of New York was conducted by the organization committee during June and July, 1914, and announcement of the election was made August 10. The appointment of the three class C directors by the Federal Reserve Board was announced on September 30, completing the board of directors. On October 5 the first meeting of the board of directors was held in the office of the Bank of the Manhattan Co., 40 Wall Street, New York. Mr. Benjamin Strong, jr., then president of the Bankers Trust Co. of New York, was elected governor of the bank, and Mr. Leslie R. Palmer, a member of the board, secretary pro tempore. At the second meeting of the board the terms of office of the directors were designated as follows:

Class A, representing the member banks: Franklin D. Locke, term expires December 31, 1915; William Woodward, term expires December 31, 1916; Robert H. Treman, term expires December 31, 1917.

Class B, representing commerce, agriculture, or industry: Leslie R. Palmer, term expires December 31, 1915; Henry R. Towne, term expires December 31, 1916; William B. Thompson, term expires December 31, 1917.

Class C, representing the Federal Reserve Board: George Foster Peabody, term expires December 31, 1915; Pierre Jay, term expires December 31, 1916; Charles Starek, term expires December 31, 1917.

A meeting of the directors and governors of all the reserve banks, called by the Federal Reserve Board, was held in Washington October 20-22. At this meeting, which was attended by over 80 directors and governors of Federal Reserve Banks, standard by-laws were prepared, a uniform plan of accounting was tentatively approved on, and various problems relating to the inauguration of the system and the operation of the banks were discussed.

During October Mr. William Woodward, president of the Hanover National Bank and a class A director, consented to become acting deputy governor, and Mr. James F. Curtis was elected secretary and counsel for the bank.

On October 26 the following telegram was received:

"PIERRE JAY,
"Chairman, Board of Directors,
"Federal Reserve Bank, New York.

"Please call a meeting of the directors of the Federal Reserve Bank of your district and advise them that all necessary statutory requirements having already been complied with by the several Federal Reserve Banks, the Comptroller of the Currency will forward to each bank on or before November 16, 1914, the certificate authorizing such bank to commence business as prescribed by section 4 of the Federal Reserve Act, and the Secretary of the Treasury will, in conformity with section 19 of the Act, formally announce the establishment of the Federal Reserve Banks in each of the Federal reserve districts on the 16th day of November, 1914. Please also assure the directors that this department will gladly extend to them every facility and all possible assistance in opening the banks on that date and also assure them of my very best wishes and of my earnest desire to cooperate with them in every possible manner to render this great public service.

"W. G. McADOO,
"Secretary of the Treasury."

To this telegram the directors replied on October 28, assuring the Secretary of the Treasury of their desire to cooperate with the plan set forth in his telegram, as follows:

"Hon. W. G. McADOO,
"Secretary of the Treasury, Washington:

"At the meeting of the directors of the Federal Reserve Bank of New York to-day your telegrams of Monday to Gov. Strong and myself were presented, and I was authorized to express to you the entire concurrence of the board of directors in the telegraphic replies sent you on Monday by Gov. Strong and myself and to thank you for your good wishes and offer of assistance and to assure you of their desire to cooperate with your plan.

"PIERRE JAY, Chairman."

From its first meeting until December 31, 1915, the board of directors has held 50 meetings, of which 18 have been attended by the full board, 24 by eight directors, 7 by seven directors, and 1 by six directors.

The relatively small size of this Federal reserve district has made it practicable to hold frequent meetings of the board of directors, which has therefore been a more active body than the executive committee. At these meetings the affairs and development of both the bank and the system have been discussed and considered at length.

The executive committee, consisting of the governor, as chairman, and four directors, has held 59 meetings, of which 9 have been attended by the full committee, 10 by five members, 22 by four members, and 18 by three members. The governor and chairman are ex officio members of the committee. Mr. Woodward was elected a member to serve till December 31, 1915, and all the other directors have served upon it in turn. Mr. Starek, vice chairman, has been invited to attend all meetings of the committee.

During the first five months all applications for rediscount were acted on by the executive committee, but on April 7, 1915, the senior officers were authorized, within certain limits, to pass upon them, since which date relatively few meetings of the committee have been held.

There have also been 13 subcommittees of the board for the consideration of special matters, several of which have held two or more meetings.

BY-LAWS.

The by-laws of the bank were originally adopted on October 28, 1914. They have been amended from time to time, and a copy of them in their present form is attached hereto.

PAYMENT OF CAPITAL.

One-half of the subscribed capital of the bank has been called during the period covered by this report. The Federal Reserve Board designated November 2, 1914, as the day for the payment of the first installment of one-sixth of the subscribed amount. This installment aggregated \$3,321,950, and as the office of the bank at that time was not suitable for the purpose it was received in a room in the New York clearing house by the three acting assistant cashiers of the bank and a number of volunteer clerks from New York member banks.

Two other installments, each one-sixth of the amount subscribed, have been received, one on February 2, 1915, aggregating \$3,318,183.35, and one on May 2, 1915, aggregating \$3,317,516.65. On July 1, 1915, the capital subscribed by 131 banks in northern New Jersey, which by the adjustment of the district became members of the Federal Reserve Bank of New York, was received, aggregating \$962,650. Sundry increases and decreases have brought the total capital paid up to \$11,063,150 on December 31, 1915.

The details of the capital account will be found in the Appendix.

TEMPORARY STAFF AND OPENING OF BANK.

On October 26, when the telegram was received from the Secretary of the Treasury advising that he would announce the establishment of the Federal reserve banks on November 16, no staff had been assembled, nor had a banking room been secured. Over 2,000 applications for positions in the bank were on file, but it was obviously impossible during the intervening three weeks to attempt the organization of a permanent staff. The expedient of a temporary staff was therefore determined upon.

Mr. G. E. Gregory, cashier of the National City Bank of New York, consented to become acting cashier of the bank, and Messrs. B. W. Jones, assistant secretary, and R. H. Giles, assistant treasurer, respectively, of the Bankers Trust Co., and Mr. S. A. Welldon, assistant cashier of the First National Bank, to become acting assistant cashiers to effect the assembling and organization of a staff. Through the generous cooperation of the subtreasury at New York and of several New York banks an efficient volunteer staff was borrowed, each man experienced in his particular department.

On Monday, November 9, possession was obtained of the banking room at 62 Cedar Street, which had been leased, and during the week the officers and clerks met daily for drill in the various branches of the work.

On November 16 the bank opened its doors with a staff of 7 officers and 85 clerks. During the day \$99,611,670 of reserves were taken in from 211 banks. The tellers reported their accounts in balance at 5.30, and at 8 p. m. the first balance sheet of the Federal Reserve Bank of New York was mailed to the Federal Reserve Board.

PERMANENT ORGANIZATION.

During the next eight weeks the permanent staff of the bank was gradually organized. Mr. E. R. Kenzel was appointed assistant cashier, Mr. H. M. Jefferson auditor; Mr. L. H. Hendricks transit manager. By the middle of January, 1915, a permanent staff of 5 officers and 36 clerks had been assembled, 9 of them having remained from the volunteer body. June 9, 1915, Mr. L. F. Sailer, assistant cashier of the National Park Bank of New York, was elected cashier and Mr. L. H. Hendricks assistant cashier. The staff on December 31, 1915, consists of the governor, the acting deputy governor, the secretary, the cashier, two assistant cashiers, the auditor, and 67 clerks and other employees; the Federal Reserve Agent, deputy Federal Reserve Agent, an assistant, and one clerk.

In assembling the permanent staff and organizing the accounting system of the bank the plan has been to free the departments as much as possible from mixed classes of

duties and yet so to interlock their work that automatic checks could be established between the departments and on the accounts generally. It has also been planned as far as possible to educate the employees in all branches of the work in order to be ready at all times to handle a large volume of business in any particular department.

The accounting system provides a set of records both efficient and complete, yet understandable to the layman, and so devised as to facilitate the preparation of the many forms of statistics which are required. All work, including the general ledger, is subject to countercheck. Bound books of entry are provided at some point in every chain of operations.

The principal difference between the accounting plan of this and other large banks is the introduction of separate debiting and crediting departments, which prepare the debit and credit journals for the bookkeepers, and to which all departments originating debits and credits route such items. This makes possible a valuable check on the ledger accounts.

The auditor's department is not an operating department, but an independent organization with authority to audit all of the departments, reporting to the directors, the executive committee, and the officers. The proofs of all departments are audited by it daily.

The work of the bank is divided among the following departments: Paying teller, receiving teller, note teller, discount mail teller, securities, foreign exchange, crediting, debiting, bookkeeping, general bookkeeping, credit, auditing, statistics, transit statement, filing, stationery, stenographic, telephone, pages, floormen, and watchmen. A separate department is also maintained by the Federal Reserve Agent.

DEPARTMENT OF THE FEDERAL RESERVE AGENT.

The Federal Reserve Agent's department, by early agreement with the deputy, was organized in such a way as to relieve these two statutory officers of clerical duties and the handling of Federal reserve notes, gold, lawful money, and collateral. A responsible assistant, with necessary clerical assistance from the bank, has kept all records of the receipt and issue of Federal reserve notes, and under the responsibility of the agent jointly with one of the officers of the bank has had custody of all Federal reserve notes, gold, lawful money, and collateral held by the department.

OFFICES.

A temporary office at 27 Pine Street was used from October 10 to November 9, 1914. On that day the bank occupied the office at 62 Cedar Street, which had been leased from Messrs. Harvey Fisk & Sons, consisting of a banking room, suitable rooms for directors, officers, and clerks, and a security vault. The bank was very fortunate, on such short notice, to be able to obtain an office so well fitted for its initial and organization period. But as its work progressed it became apparent that offices better suited to its ultimate development should be obtained. The time consumed and the inconvenience caused by the frequent visits by officers to the subtreasury and the clearing-house vaults alone seemed to necessitate moving to an office adequately equipped with vault accommodation. On December 16, 1915, therefore, a lease was entered into with the Equitable Building Corporation for offices at the Pine and Nassau Streets corner of its building, opposite the subtreasury, under which the building corporation provides a very satisfactory banking room, vault, and working space, including accommodations for officers of member banks, with options on other space to cover future expansion. The term of the lease begins May 1, 1916.

SUBTREASURY COOPERATION.

Immediately after designating the date for the inauguration of the Federal Reserve System the Secretary of the Treasury advised this bank that the subtreasury at New York would do everything in its power to facilitate its operations. Hon. Martin

Vogel, assistant treasurer in New York, placed at the disposal of the bank two large compartments in the subtreasury vaults, one for the bank and the other for the Federal Reserve Agent, both of which have been in constant use since the day the bank began business, requiring at each entry the presence of two members of the subtreasury staff.

At the opening of the bank, and for a few days thereafter, the assistant treasurer detailed a number of his most experienced money counters to assist in counting the large volume of reserves then transferred. He also extended to the bank the facilities of the subtreasury for cutting and mutilating Federal reserve notes unfit for circulation as the first step in the process of their retirement. All gold coin received by the bank has been weighed for it by the subtreasury. The attitude of the assistant treasurer and his staff throughout the period covered by this report has been cooperative in every way and the assistance given by them to the bank has been material and is gratefully acknowledged.

CLEARING-HOUSE COOPERATION.

At every step in the organization and operation of the bank the attitude of the New York Clearing House Association has been one of active cooperation. On November 2, 1914, when the first installment of the capital stock of the bank was paid in, the clearing house set apart a room in which the gold might be received and a vault for its custody. The greater part of the reserves of the bank, from the day of its opening, has been kept in the vaults of the clearing house. These vaults have been used almost daily, and often more than once a day, each entry requiring the presence of the manager of the clearing house as well as a representative of the chairman of the clearing-house committee.

On November 9, 1914, the directors authorized the governor to apply for limited membership in the clearing house as a convenience both to it and the member banks. On November 13 the application was approved and the bank became a limited member, for the purpose of clearing checks, but without the usual financial responsibilities. Full acknowledgment is made of the indebtedness of this bank to the officers and members of the clearing house for the cooperation and assistance which they have always given it.

MEMBER OF FEDERAL ADVISORY COUNCIL.

On November 25, 1914, the board of directors elected Mr. J. P. Morgan, of New York City, a member of the Federal Advisory Council from Federal reserve district No. 2 for the year 1915.

CHAPTER II.—DEVELOPMENT OF FUNCTIONS, AND OPERATIONS THEREUNDER.

DEPOSITARY OF THE RESERVES OF MEMBER BANKS.

The initial transfer of the reserves of 480 member banks in November, 1914, amounted to \$106,702,995.81. Of these deposits \$97,954,175.84 came from banks in the city of New York and \$8,748,819.97 from other banks.

The second transfer of reserves began on November 16, 1915, and amounted to approximately \$3,700,000. The wide difference in the two amounts is due to the fact that New York City banks were required to transfer at the outset their entire contribution of reserves, while in the case of other banks the transfer is distributed over a period of 36 months. Most of the initial transfer was made in gold, gold certificates, and lawful money. The second and third transfers were made largely in checks on New York correspondents.

Outside of banks which have joined the collection system, and whose accounts are therefore active, only about 36 banks draw on their accounts from time to time. The accounts of the other 410 banks remain practically dormant. Of those banks whose

accounts are active, New York City banks usually replenish their balances by depositing their own cashier's checks, which are settled on the following day through the clearing house; and other banks by transfers from New York City correspondents. Some New York banks have been depositing items on banks in our collection system and on the other Federal Reserve Banks. A certain volume of gold, silver, legal-tender notes, and Federal reserve notes unfit for circulation is also deposited, but as yet the bank has not accepted national-bank notes on deposit, as it is unwilling to become practically a redemption agency for the volume of notes which would be deposited and assume the resulting expense.

It is difficult for this bank to ascertain whether the reserves of member banks are unimpaired, as their position is learned only from the reports made in response to the periodical calls of the comptroller. It seems desirable not only for this purpose but as a measure of general banking publicity that the position of all member banks with respect to reserves, loans and discounts and deposits should be presented more frequently and made public as is done by clearing houses and by a number of State banking departments.

The total gold held by the bank and its Federal Reserve Agent on December 31, 1915, is \$264,144,380, an increase of \$182,610,665 over the amount held at the close of business on the day of opening.

During the period about \$110,000,000 in gold was received from member banks by direct transactions outside of clearing house settlements.

The following statement shows, at the end of each month, the deposits of member banks, the total reserve held, the composition of the reserve, and the gold held by the Federal Reserve Agent. The growth in deposits is due largely to the increased reserves which the expanding deposits of the member banks require them to carry.

	Deposits of member banks.	Total reserve.	Composition of reserve.			Gold with Federal Reserve Agent.
			Legal-tender notes.	Silver and silver certificates.	Gold and gold certificates.	
Nov. 16, 1914	\$101,816,801.29	\$102,933,569.00	\$10,485,613	\$10,914,241.00	\$81,533,715.00	-----
Dec. 31, 1914	110,114,812.84	99,999,258.00	11,854,300	5,010,073.00	82,234,885.00	\$9,115,000
Jan. 31, 1915	118,587,486.21	93,407,196.75	2,793,650	4,658,571.75	85,954,975.00	9,370,000
Feb. 28, 1915	124,946,634.28	112,234,489.20	5,154,000	8,064,741.70	98,995,747.50	11,560,550
Mar. 31, 1915	125,306,078.26	112,393,305.65	3,105,200	12,549,698.05	96,738,407.50	18,833,350
Apr. 30, 1915	131,826,629.32	107,261,027.25	2,417,500	12,903,194.75	91,940,332.50	26,858,700
May 31, 1915	128,143,549.89	125,181,895.10	4,521,545	17,121,267.60	103,539,082.50	31,680,000
June 30, 1915	141,929,512.72	151,345,687.40	15,066,606	16,180,474.90	120,098,607.50	40,320,000
July 31, 1915	147,581,376.68	143,274,771.35	4,296,275	10,806,233.85	128,182,262.50	47,520,000
Aug. 31, 1915	155,069,198.47	144,274,273.25	2,542,740	11,577,495.75	130,154,037.50	52,550,000
Sept. 30, 1915	155,203,832.64	147,328,951.20	7,011,435	11,800,761.20	129,516,755.00	61,350,000
Oct. 31, 1915	178,765,123.50	172,328,885.60	19,153,460	12,587,570.60	140,582,855.00	70,740,000
Nov. 30, 1915	185,652,512.32	185,690,699.25	23,998,035	8,936,229.25	152,756,435.00	79,010,000
Dec. 31, 1915	179,433,322.16	180,821,914.90	5,691,765	284,322.40	174,845,827.50	89,300,000

ACCOUNTS WITH OTHER FEDERAL RESERVE BANKS.

In accordance with the decision of the conference of directors and governors at Washington October 20-22, 1914, the Federal Reserve Bank of New York on opening announced its readiness to receive at par for immediate credit checks on all other Federal Reserve Banks. The New York Clearing House immediately placed such checks on its discretionary list.

On November 19 the People's National Bank of Brooklyn deposited a check of \$76.80 drawn on the Federal Reserve Bank of Kansas City. This was the first inter-district transaction and the item was sent to the Federal Reserve Bank of Kansas City for the credit of this bank. The volume of such transactions grew rapidly, and the method of settling the resulting balances between Federal Reserve Banks became one of the matters requiring immediate attention.

At the first conference of the governors of Federal Reserve Banks, December 10-12 1914, it was agreed that at any time debtor banks might make settlement and creditor banks might require settlement, in which latter case the expense of settlement should be divided between the settling banks. It was decided to continue for a few months the practice of receiving at par checks on Federal Reserve Banks in order to observe the results of facilitating in this way the transfer of money between the 12 Federal reserve cities. Member banks in debtor districts promptly took advantage of it to make exchange without cost on points in creditor districts. The result was that the Federal Reserve Banks in debtor districts soon found themselves owing large sums to reserve banks in creditor districts. In order to prevent the further accumulation of such balances and avoid a heavy burden of expense, reserve banks in debtor districts charged member banks drawing such checks with exchange thereon at the current rate for exchange on the points to which they were sent. This had the effect of restraining the process and the transfer of funds returned to its normal basis.

When the gold settlement fund was established, May 19, 1915, thus providing a method of settling balances weekly, the total debit balances paid in by all reserve banks in settlement of balances then unliquidated, and after six months of heavy transactions, were only \$6,383,000.

On June 15, by agreement between the Federal Reserve Banks and at their request, this bank ceased receiving for immediate credit at par checks on other Federal Reserve Banks, except those of Boston and Philadelphia, and deferred the credit of such checks for a sufficient number of days to allow them to reach the paying bank. The New York Clearing House, however, made no change in its rules except to impose a small charge on checks drawn on the Federal Reserve Bank of San Francisco.

The aggregate transactions between this bank and other Federal Reserve Banks from November 16, 1914, to December 31, 1915, have been \$1,229,982,000.

Details of transactions between Federal Reserve Banks will be found in the appendix.

GOLD SETTLEMENT FUND.

In view of the volume of transactions which had developed between Federal Reserve Banks during the early part of 1915 and of the proposal that they should establish a system of check collection, it became evident that some method must be devised of settling balances between them promptly, economically, and with minimum shipments of coin or currency. A plan whereby each Federal Reserve Bank should deposit with the Federal Reserve Board in Washington a portion of its gold reserve to be used in settling balances with other Federal Reserve Banks was put into operation on May 19, 1915, each reserve bank being required to pay into the fund \$1,000,000 and its net debit to the other reserve banks. The total initial deposits were \$18,450,000.

Deposits in and withdrawals from the fund are made by banks at the nearest sub-treasury. At the close of business each Wednesday each bank advises the Board the amount due by it to any other bank, and the resultant net balance is charged or credited to it on the books of the gold settlement fund. The transfer is a bookkeeping rather than a physical one. Many banks maintain open exchange accounts with other banks which are not settled. Special interim settlements may also be arranged between banks when desired, and for convenience and safety in the custody and transfer of their funds, Federal Reserve Agents are authorized to deposit gold with the gold settlement fund.

In the domestic exchange markets which exist in several of the Federal Reserve cities, New York is one of the principal cities on which exchange is bought and sold. No such market for exchange on other points exists in New York. Also all the other reserve banks receive checks on this bank at par for immediate credit, while New York defers credit on all reserve bank checks save those of Boston and Philadelphia,

and more lately of Richmond. This bank therefore has been unable to secure an offset to the large volume of New York exchange deposited with it by other reserve banks, and it has been obliged to settle for it through the gold settlement fund in gold, although in collecting such exchange through the clearing house it has been paid largely in silver certificates or legal-tender notes, both of which currencies, as well as gold, may be used by its members in paying debits. The total amount which this bank has paid in gold to other reserve banks through the fund up to December 31, 1915, has been \$83,283,000. At one time through these exchange operations of other reserve banks it had an accumulation of \$30,252,000 of silver, and \$13,502,000 of legal-tender notes, which, however, through the cooperation of member banks in this city was later largely reduced. The neutralization of this process of drawing out the gold of this bank, putting it in circulation in other centers, and leaving the bank with silver in its place is one of the matters requiring study and adjustment.

Further details of the operation of the fund will be found in the appendix.

ESTABLISHMENT OF RATES OF DISCOUNT.

The Federal Reserve System was inaugurated at a time when the stringency of money rates which had prevailed during August, September, and the early part of October, 1914, was perceptibly easing. During these months purchases of commercial paper by the banks had shrunk to a minimum, and the open-market rates ruled from 6 to 7½ per cent.

The announcement on October 26 that the Federal Reserve System would be opened in three weeks, releasing a volume of reserves estimated at over \$450,000,000, the free issue of emergency currency under the Aldrich-Vreeland Act, the steady liquidation in merchandise and many commodities, and the decline in foreign exchange all combined to reduce rates to a normal basis. The first rates established by the Federal Reserve Bank of New York on November 16, 1914, were 5½ per cent for paper not exceeding 30 days and 6 per cent for paper of longer maturities. At that time there was still a substantial volume of New York Clearing House loan certificates outstanding bearing 6 per cent interest. Surplus reserves of New York Clearing House institutions increased from \$19,200,000 on November 14, 1914, to \$127,400,000 on November 21, 1914, owing to the reductions in required reserves permitted by the Act. This transfer of \$108,200,000 in New York alone from the category of required reserves to that of excess reserves produced an effect which was promptly felt throughout the country. The relief felt by bankers and business men at the establishment of the reserve system, the complete retirement of clearing house loan certificates in New York, the beginning of the retirement of emergency currency, the reopening of the stock and cotton exchanges, the return of foreign exchange substantially to normal, the dullness of trade and business, and the inevitable tendency of bankers to put at least a portion of their surplus reserves to work led to a further easing of the money market. On December 18 the bank rate for 30-day paper was reduced to 5 per cent and on December 23 to 4½ per cent.

In the belief that a period of easy money was at hand, the directors of the reserve bank adopted the policy of keeping its rediscount rates slightly above the market rates for commercial paper, so that, unless member banks really needed them, its resources, most of which had hitherto been kept in the vaults of the member banks, should not be forced upon a market already oversupplied with funds. This policy has prevailed throughout the period under review. While business dullness has given place to business activity, the great importations of gold have been more than sufficient to support the credits—"domestic and foreign"—which the various activities and developments have required. The surplus reserves of the country have continued to increase in spite of the unparalleled expansion of loans and the withdrawal from circulation of \$89,300,000 of gold through the issue of Federal Reserve notes against it.

Except in time of commercial or financial crisis, the normal aggregate borrowing by member banks in this district seldom exceeds \$5,000,000. It seems likely, therefore, that of the funds of this bank which will normally be put into use only a small portion will be absorbed by rediscounts of member banks. The balance will be invested in Government obligations, in municipal warrants, bankers' acceptances, and other bills purchased in the open market. The same will be true of other reserve banks in districts where normal borrowing by member banks is light. The influence of this bank on interest rates and the expansion and contraction of credits is likely to be exercised more through its open-market operations than through the rediscounts of the member banks, or of other Federal Reserve Banks. But, as it has never possessed any volume of such paper, it has thus far been unable to exert any influence over rates.

It should be the policy of reserve banks to maintain a fairly stable rate on such paper. Then in times of expansion or demand for credit, when market rates rise above theirs, such paper will flow into them in substantial volume and the gold released in payment will find its way into the reserves of member and other banks, increasing their credit power and checking extreme advances in rates. In times of contraction or abundant credit, when market rates fall below those of the reserve banks, the investments of the latter will be absorbed, as they mature, by banks and other institutions, thereby transferring gold from their reserves to the reserve banks, reducing the credit power of the member banks and checking extreme declines in rates.

Similarly, if a sufficient volume of bankers' acceptances based on imports and exports is developed to create a stable discount market in New York or elsewhere in the United States, an international ebb and flow may be effected. When the dollar acceptance reaches a degree of currency comparable with that of the sterling acceptance, its use will depend largely upon whether, on arrival in New York, it can be discounted at a rate lower than the rate for sterling acceptances in London. Those engaged in international business will draw on the city where their drafts can be discounted at the lowest rate.

When the London rate rises above the New York rate, a substantial volume of such bills will be transferred from the London to the New York market and be absorbed by American banks. If in turn the New York rate rises above the London rate, a substantial volume of bills formerly drawn on New York will be drawn on London, thereby transferring the burden of absorbing them from New York to London and raising the New York reserve percentage by reducing the volume of both loans and deposits. The greater stability of exchange resulting from greater flexibility of international discount markets should tend in time to reduce transfers of gold reserves between New York and London.

Through the creation of the bankers' acceptance an international credit instrument has been introduced into our banking system which when developed is likely to prove a potent influence in regulating the flow of credit between Europe and America. It should enable America, in normal times, to regulate its credit position primarily by recourse to the European market, thereby rendering domestic rate fluctuations less violent. Greater stabilization of interest rates is one of the most valuable contributions the system is capable of making to the orderly progress of business.

The rates established by this bank have been as follows:

Date established.	10 days.	11 to 20 days.	31 to 60 days.	61 to 90 days.	91 days to 6 months.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16, 1914.....		5½	6	6	
Dec. 18, 1914.....		5	5½	6	
Dec. 23, 1914.....		4½	5	5	6
Feb. 3, 1915.....		4	4½	4½	5
Feb. 17, 1915.....		4	4	4	5
June 24, 1915.....	3	4	4	4	5
SPECIAL RATES.					
Feb. 17, 1915, bankers' acceptances, 2 to 4 per cent.					
July 24, 1915, trade acceptances, 3½ per cent.					

An inquiry has recently been made concerning the effect the rates of this bank have had on rates charged by its member banks to their customers. Outside of New York City they are reported to have had no effect on the rates charged by member banks. In New York City the consensus of opinion is that they have had no effect on rates charged to commercial customers, but that member banks in this district have had to meet the reserve bank rates of other districts, and on loans to member banks in those districts the rates have been slightly lower than heretofore would have been charged. On the market for acceptances and warrants the rates at which reserve banks have been willing to buy have probably had a softening effect. This inquiry, however, related to the direct effect of the rates officially established by this bank and neither to the influence for lower rates exerted by the great reduction in required reserves permitted by the act nor to the indirect influence exerted by the mere existence of the Federal Reserve System.

ELIGIBLE PAPER.

At the inception of the Federal Reserve System no subject aroused more general interest among the banks and the public than the kind of paper which would be defined as eligible for rediscount with Federal Reserve Banks. Circular No. 13, issued by the Federal Reserve Board November 10, 1914, defined paper eligible for rediscount in such a manner as to create the impression that very strict tests would be applied to paper submitted for rediscount, and that onerous requirements with regard to statements of borrowers would be insisted upon. The general effect of the circular was to lead country bankers to believe that their paper would not meet the requirements and that they were without means of availing themselves of the resources of the reserve bank. At bankers' gatherings held in the autumn and early winter the complaint was frequently heard that country banks held no paper eligible for rediscount.

Notwithstanding the general feeling with regard to the eligibility of their paper, a number of banks, both country and city, from time to time applied for rediscounts. The application blank required the member bank to certify the eligibility of the paper under the terms of the Act and the regulations of the Federal Reserve Board. The policy of this bank has been to accept such certificate without further inquiry except in cases which indicated a possible misunderstanding of the definition of eligible paper and to be liberal rather than technical where construction has been necessary.

In revising and republishing the various regulations for the year 1915 the Reserve Board simplified the regulation concerning eligible paper so as to leave no reasonable doubt in the mind of any banker that at least a substantial part of his normal discounts would fall within its terms. The revised regulation was received with great satisfaction by the member banks. To the request of the comptroller in his call of

March 4, 1915, that each bank should state approximately how much paper it held which was eligible for rediscount, 81 banks replied that they held none. Shortly after receiving these reports letters were written by this bank to such banks inviting their officers to call and discuss the question of eligibility. In this way a much better understanding of the subject was established.

As a result of several months' experience in making rediscounts and discussing the subject with bankers this bank, on June 19, 1915, issued its circular No. 25 on eligible paper with a view to further clarifying the subject and enabling a banker readily to determine which of his notes could be certified as eligible.

The regulation defining eligible paper required a bank applying for rediscounts after July 1, 1915, to state whether or not it held statements from borrowers in all cases of rediscounts aggregating \$5,000 or over, or 10 per cent of its capital, and in all cases of purchased paper. To assist the member banks in obtaining such statements, the reserve bank prepared four standard statement forms:

- (a) For individual farmers or live-stock dealers.
- (b) For individual merchants, manufacturers, etc.
- (c) For firms.
- (d) For corporations.

A large number of these were printed and offered without charge to member banks in sufficient volume to use with all their borrowers. One hundred and ten banks replied, taking about 38,000 of the forms. Subsequent correspondence with these banks indicates that although the progress in getting statements from small borrowers is slow, the fact that the statement is requested on a form bearing the name of the Federal Reserve Bank leads many to comply who have never before been willing to furnish statements.

REDISCOUNTS.

The first application for rediscount, received at the opening of the bank, was for \$2,182,500 from the Chemical National Bank of New York. One other rediscount was also made on the opening day. During the period under review there have been received from 54 banks 277 applications for rediscounts aggregating \$11,384,937.63. The largest application was for \$2,182,500; the smallest for \$1,015. The largest piece of paper rediscounted was \$300,000; the smallest, \$20.20.

Applications are acted upon on the day of receipt, and the applying bank is advised by telegram. The lack of understanding of the requirements, which sometimes led to delays at the outset, has largely disappeared, and except for slightly more formality in making the application, there is little difference between discounting at the reserve bank and at other banks. The impression that the operation is surrounded with difficulties has been overcome, at least with those banks which have applied. A few days before maturity each piece of paper is sent for collection to the bank which rediscounted it and on the day of maturity is charged to its account. This gives the rediscounting bank an opportunity to protect all indorsements. The provision of the Act requiring a rediscounting bank in indorsing paper to "include a waiver of demand, notice, and protest," while intended to protect the reserve bank, really works against its interests. Being obliged to relieve the reserve bank of responsibility to protect prior indorsements, the member banks, if rediscounting becomes general, are likely to select for the purpose paper which has no indorsements. The reserve bank should assume as much responsibility in this respect as any other bank.

Although the normal amount of borrowing by the banks in this district is light, yet the proportion of even this amount done at the reserve bank has been very small. The banks naturally continue borrowing at equal or lower rates from correspondents with whom they have had relations for years. In many cases they leave bonds on deposit with their city correspondents against which, on telegraphic advice, they may borrow. Other banks which borrow on their commercial paper instead of rediscounting it use it as collateral to their own notes. This is simpler for both lender and bor-

rower. It would greatly facilitate the operations of the reserve bank if member banks were permitted to borrow from it on their own notes secured by commercial paper, duly indorsed and certified to as to eligibility, as collateral. Not only would it greatly reduce the accounting labor of recording and computing interest on large numbers of small notes, a consideration of first importance in times of stress, but the margin of collateral which commercial banks receive on such loans could be obtained by the reserve bank, when desirable, without the formalities otherwise necessary. It would enable member banks to borrow for short periods, which they are often unable to do at present for lack of the proper maturities. It would provide that desirable element of flexibility in rediscounting relations with member banks which is entirely lacking under the present provisions of the Act.

Further statistics of the rediscounts made during the period will be found in the Appendix.

FEDERAL RESERVE NOTES.

On November 16, 1914, the first shipment of Federal Reserve notes was received by the Federal Reserve Agent from the Comptroller of the Currency. On November 19 the bank pledged with the Federal Reserve Agent \$500,000 of commercial paper rediscounted by member banks and received from him a similar amount of Federal Reserve notes. These notes were not required by the banks which made the rediscounts, as they had already withdrawn by check the credits so established. They were taken by this bank for its general use. The issue of Federal Reserve notes gave the reserve bank the opportunity of affording to its member banks complete interchangeability between book and note credits. The bank therefore established the policy of issuing Federal Reserve notes freely to any member bank desiring them whether the credit thus withdrawn was established by it through rediscounting, or the deposit of checks, or the deposit of gold or lawful money. In practice, however, most credits withdrawn by notes have been established by the deposit of checks which have been collected by this bank in gold or lawful money through the clearing house. Accordingly, the accumulation of cover in the hands of the Federal Reserve Agent has been mainly gold, with but a small amount of rediscounts. The processes provided by the Act for the issue of Federal Reserve notes to the reserve bank permit complete interchangeability between gold and rediscounts held by the agent. Gold may be substituted for rediscounts and rediscounts for gold, in accordance with the requirements of the reserve bank. During the entire period its requirements have been for notes with which it might exercise its statutory right to "exchange Federal Reserve notes for gold, gold coin, or gold certificates."

The policy of the Federal Reserve Bank has resulted in greatly strengthening its gold position and its ability to assist its member banks or other Federal Reserve Banks should they at any future time seek credit in order to withdraw gold for domestic or foreign uses. Through this policy also it has been able potentially, at least, to retard the expansion of credit by impounding in the hands of the agent a large volume of gold which might otherwise have found its way into bank reserves already superabundant.

Furthermore, through this policy it has been able to take the first step toward accomplishing one of the purposes of the Act set forth in its title, e. g., "to furnish an elastic currency." There are two forms of elasticity, one of *quantity* and the other of *quality*, both provided for in the Act.

From the point of view of cover, the gold certificate is completely inelastic. It stands at one extreme of our currency, with a dollar of gold set aside behind each dollar of paper. At the other extreme stands the national-bank note, with only 5 cents of gold set aside behind each dollar of paper. The assets of the issuing bank make it good, but its elasticity is nullified by the requirement that it must be secured dollar for dollar by Government bonds.

Between these two extremes the Federal Reserve note, a new form of currency, has been introduced. For each dollar of this paper there is set aside from 40 cents to \$1 of gold. As in the case of the national-bank note, the obligation of the United States and the assets of the issuing bank secure it.

The process in which this and other Federal Reserve Banks have been engaged is the substitution, as a circulating medium, of a note which is elastic in quality for the inelastic gold certificate. Gold is the most uneconomical medium of hand-to-hand circulation since, when held in bank reserves, it will support a volume of credit equal to four or five times its own volume. What the reserve bank does in accumulating gold behind its Federal Reserve notes is to establish with the holder of each note a credit which may be availed of whenever the occasion requires. With this credit established it can convert at will its gold-covered notes into notes covered partly by gold and partly by commercial paper. In times when credit is becoming strained and bank reserves need strengthening or when gold must be exported, this conversion will take place, and after the strain is over the gold cover will be restored through the repayment of the rediscounts substituted for it. In this way elasticity of quality in our currency is obtainable. But it should not be construed as in any way a deterioration of the currency contemplated by the Act. Quite the reverse is true. The Act provides for the issue of Federal Reserve notes in unlimited amounts, with 40 cents of gold behind each dollar of paper. This is elasticity of quantity and it becomes operative with the minimum of gold cover. Elasticity of quality, on the other hand, operates with a gold cover always above the 40 per cent minimum and ranging as high as 100 per cent.

In order to be prepared for any currency demands which might be made upon it, the Federal Reserve Bank of New York in the spring of 1915 adopted the policy of having printed and keeping constantly on hand a supply of Federal Reserve notes substantially in excess of the amount of emergency currency which, experience shows, this district might be called upon to supply. The maintenance of this policy and of the policy of issuing Federal Reserve notes freely has entailed a heavy cost upon this bank. Unissued Federal Reserve notes are carried at cost on the books of the bank, and at the end of each month the amount of notes issued to the bank during the month is charged off at cost. The shipment of notes unfit for circulation to the Comptroller of the Currency at Washington for cancellation and destruction is a further item of expense in connection with the maintenance of these policies. The directors and officers of the bank, however, feel that the results accomplished amply justify the expense incurred, and consider that the added strength furnished the bank by the gold thus accumulated is perhaps the most important result of the operations of the period.

Some reduction has already been made in the cost of printing Federal Reserve notes, and it is to be hoped that further experience and study will enable other substantial reductions to be made in the cost of preparing for issue what has already become an important element of the circulating medium of the country. The Act provides that all expenses in connection with the issue and redemption of Federal Reserve notes shall be borne by the Federal Reserve Banks, and in view of the service the banks are performing in accumulating gold through the medium of these notes, the feeling is quite general among their officers that the notes should be furnished to them at the lowest possible cost consistent with the high quality of workmanship required.

The design of the notes is not altogether satisfactory for efficient handling. In sorting notes it is necessary to be able readily to distinguish between notes of this bank and notes of other reserve banks. This would be greatly facilitated if the printing of the distinctive number and letter of each bank were made more general on the face of the note.

While a general simplification of the various forms of currency is much to be desired, it does not seem appropriate to enter into a discussion of the broader aspects of the problem here. It may be suggested, however, that the denominations of silver certificates in circulation in this district during the period have not well met the needs. At times there has been a great shortage of ones and twos and at all times there has been a plethora of fifties. If the denominations in which silver certificates are issued could be provided in a more flexible manner, or left to the discretion of the Secretary of the Treasury, it is probable that the requirements of trade and commerce would be better satisfied. It would also be a great convenience to reserve banks, as well as to the member banks in the larger cities, if the gold order certificates could be issued in denominations of \$50,000 and \$100,000 as well as in the \$5,000 and \$10,000 denominations now authorized.

Detailed figures showing the transactions in and movements of Federal Reserve notes will be found in the Appendix. The following is a summary to December 31, 1915.

Total notes issued to bank.....	\$39, 440, 000
Less on hand.....	\$16, 139, 280
Unfit for circulation, retired.....	None.
	16, 139, 280
Net amount in circulation.....	73, 900, 720

On December 31, 1915, the Federal Reserve Agent held against Federal Reserve notes issued:

Rediscounts.....	\$140, 000
Gold certificates.....	89, 900, 000
Total.....	89, 440, 000

PURCHASE OF WARRANTS.

The regulation concerning the purchase of municipal obligations issued in anticipation of taxes, termed "Warrants," was issued December 22, 1914. On December 31 this bank arranged to purchase from the comptroller of the city of New York \$5,000,000 of the city's notes due June 4 to 10, 1915. This was its first open-market operation under the provisions of section 14 of the Act. Shortly after this purchase had been announced, other reserve banks asked this bank to act for them in purchasing eligible warrants, New York being the primary market for a large volume of this class of obligation. At the next conference of governors, January 20 to 23, 1915, the purchase of such "warrants" was thoroughly discussed and other reserve banks appointed this bank their agent in the New York market to purchase warrants and other securities authorized under section 14. During the period the aggregate purchases of "warrants" for this bank and for other reserve banks have been as follows:

1915	For itself.	For other reserve banks.
January.....	\$5, 260, 000	\$4, 115, 000
February.....	1, 850, 000	1, 850, 000
March.....	777, 000	1, 596, 000
April.....	700, 000	630, 000
May.....	1, 613, 000	900, 000
June.....	1, 885, 000	835, 000
July.....	3, 588, 500	2, 998, 500
August.....	4, 644, 000	5, 676, 000
September.....	422, 000	768, 000
October.....	100, 000	105, 000
November.....	5, 000, 000	
December.....	387, 027	288, 062
Total.....	26, 226, 527	19, 761, 582

The purchase of this volume of "warrants" under the terms of the regulation has tended toward uniformity of issue and understanding of the basis of quality on the part of both the municipalities and the reserve banks. It seems not unlikely that if the latter continue to purchase "warrants" a very desirable standardization of such obligations will gradually be brought about. To facilitate this the Federal Reserve Bank of New York has prepared a standard form of note or revenue bond conveniently arranged to include:

(a) The certificate, (b) certification of ordinance passed by the common council, (c) certificate of authority, (d) certificate of corporation council, and (e) comptroller's certificate of facts.

The language and arrangement conform with the provisions of New York law and the eligibility requirements of the Federal Reserve Act.

The only difficulty encountered under the regulation has been that some municipalities which defer the payment of taxes for many months after their assessment, borrow in anticipation of such taxes in two periods. The earlier of these notes, many of which are offered in this market, are rendered ineligible by the regulation which provides that warrants must mature after the day upon which penalty attaches for nonpayment of taxes.

Some confusion has arisen on the part of municipalities and those who deal in their obligations concerning the meaning of the term "warrant" as used in the regulation of the Reserve Board. The obligations covered by the regulation must be obligations of the entire municipality, but a warrant in the ordinary use of the term is an evidence of the authority of a disbursing officer to discharge a debt of the municipality, often from some specific fund. Possibly the use of some other term would lead to a clearer general understanding of the class of obligation covered by the regulation.

One provision of the regulation which has hardly been used is the authority to the Reserve Bank to purchase warrants from any member bank with its indorsement. If this provision were availed of more generally a very desirable facility might be extended to member banks which would be of indirect advantage to their municipalities.

BANKERS' ACCEPTANCES.

The right to accept drafts was conferred on New York State banking institutions by the act of April 16, 1914. Shortly afterwards a few acceptances were reported, principally against securities. It was not until the derangement of international credit facilities at the opening of the European war that American bankers' acceptances, especially those relating to foreign commerce, came into existence in substantial volume. At that time some of the trust companies with foreign connections extended credits freely to their customers to replace credits formerly granted by European banks which had been either withdrawn or reduced; they also accepted drafts in large volume. On and after May 18, 1914, member banks were authorized also to accept drafts drawn upon them involving the importation or exportation of goods.

The volume of acceptance liabilities reported by New York banks in March, June, and September, 1915, has been as follows:

	Mar. 4.	Mar. 19.	June 23.	Sept. 2.	Sept. 25.
National banks	\$18,706,078	.....	\$16,721,068	\$6,910,755	.....
Trust companies	\$68,268,749	.....	47,403,681	.....	\$35,731,856
State banks .....	.....	1,074,607	1,003,624	.....	1,812,076

The regulation of the Federal Reserve Board defining the kind of acceptances which are eligible for purchase by Federal Reserve Banks was published on February 12, 1915. The first bills were purchased by this bank on February 23, consisting of \$87,400.63, accepted by the National City Bank, having 35 to 69 days to run, at 2½ per cent.

The monthly purchases of acceptances by this bank in the New York market have been:

1915	For itself.		For other Reserve Banks.	
	Number of pieces.	Amount.	Number of pieces.	Amount.
February.....	41	\$1,659,740.21	86	\$1,263,871.25
March.....	140	3,343,143.17	250	3,799,809.42
April.....	86	1,272,094.36	84	1,700,396.57
May.....	46	867,420.18	45	1,305,873.80
June.....	132	3,083,231.75	34	602,558.89
July.....	106	2,496,865.67	147	2,348,050.89
August.....	103	1,597,630.63	89	1,910,417.47
September.....	89	1,769,880.50	172	1,948,243.05
October.....	68	2,199,679.95	163	2,028,098.36
November.....	115	1,899,606.56	246	2,594,951.04
December.....	310	5,641,706.78	313	2,809,823.59
Total.....	1,236	25,833,631.76	1,632	22,312,094.33

The policy pursued by this bank thus far has been to purchase good acceptances whether or not the acceptor was a member bank. It has been suggested that by purchasing only bills accepted by member banks the business would be driven to them. But the broader policy was determined upon in the belief that the most important duty of this bank, at the inception at least of the use of bankers' acceptances in the United States, is to assist in developing both the business and the market; that non-member banks in extending acceptance credits are contributing to the development of the business; and that the establishment of a stable discount market of large volume in New York will in the long run help member banks in developing their acceptance business far more than any attempt of the reserve bank to restrict the business to them.

The reserve bank and the market rate for the discount of such bills in New York has been for nearly a year, and is now, lower than the rate for similar bills in London. The relatively small volume of such credits which American banks have succeeded in making operative even under the unusually favorable opportunity which the war presents for their extension, is evidence of the difficulty which will be encountered in developing the acceptance business in the United States. Some of the fundamental difficulties are:

- (1) The disinclination to break old banking connections.
- (2) The difficulty of educating handlers of bills in distant places as to American credits.
- (3) The lack of bill buyers in foreign countries who will quote as low rates on dollar as on sterling bills.
- (4) The natural prejudice of bill buyers in foreign countries in favor of a bill of known currency and against a bill of as yet unknown currency.
- (5) The lack of men trained to exercise the judgment and financial responsibility required of them as managers of branches or agencies which American banks might establish in foreign countries.
- (6) The inferior communications for both goods and mail between the United States and foreign countries as compared with those between Great Britain and foreign countries.

Only time, experience, and patient effort will remove these handicaps to the elevation of dollar exchange to its proper position in international finance. The business, however, is developing and will continue to grow as our banking machinery and connections extend throughout the world.

The Act permits member banks to accept an amount of bills not exceeding 50 per cent of their capital and surplus. By the amendment of March 3, 1915, under certain conditions they may be authorized by the Federal Reserve Board to accept up to 100 per cent of the capital and surplus. The following banks in this district have received such authorization:

	Amount of capital and surplus.
Bank of New York, New York.....	\$6,000,000
Mechanics & Metals National Bank, New York	12,000,000
Atlantic National Bank, New York.....	1,600,000
American Exchange National Bank, New York.....	8,000,000

As this bank has probably been the largest single purchaser of bankers' acceptances, it has been able, as it gained experience, to exert some influence toward standardizing practice and form. The acceptance of drafts in one city payable in another city has been discouraged; insistence that bills shall be so indorsed as to leave open no question of title will, when universally adopted, add greatly to the ready negotiability of bills; and discussion of the terms of the regulation with acceptors and bill brokers has led to a better understanding of the scope of the field it covers.

The amended regulation issued September 7, 1915, considerably broadened the field of acceptances eligible for purchase and encouraged an increased volume of these instruments. The further amended regulation issued December 4, 1915, covering the purchase of bankers' acceptances arising out of domestic transactions relates to a class of bills which national banks are not authorized to accept. When accepted by institutions of high credit they have a ready market, though at a fractionally higher rate than acceptances based on foreign transactions.

PURCHASE OF UNITED STATES BONDS.

The Act authorizes the Federal Reserve Board during each year, commencing two years from the passage of the Act, to require reserve banks to purchase from national banks not exceeding \$25,000,000 of United States bonds used in securing circulation. The Federal Reserve Board has ruled that the first year for such purchase begins January 1, 1916; that such year shall be divided into quarters; and that it may require the reserve banks to purchase not exceeding \$6,250,000 of such bonds in any one quarter. A circular has been sent to member banks advising them of this ruling and supplying them with forms upon which applications to sell such bonds may be made to the Treasurer of the United States. Applications received not later than March 21, 1916, will be considered in connection with the purchase to be made March 31, 1916. The circular calls attention to the right of the reserve banks to anticipate such required purchases from member banks by purchasing bonds in the open market.

COLLECTION SYSTEM.

At the meeting of directors and governors of Federal Reserve Banks held in Washington October 20 to 22, 1914, it was voted that at the outset each Federal Reserve Bank should receive at par for immediate credit checks and drafts—

- (a) On any other Federal Reserve Bank.
- (b) On member banks in reserve and central reserve cities in its own district.

In this district a circular was sent to member banks on November 13 advising that the arrangement would become effective November 18.

The only cities affected by the plan were the central reserve city of New York (consisting of the Boroughs of Manhattan and Bronx) and the reserve cities of Albany

and Brooklyn. The transactions between the banks in these cities through the reserve bank were naturally very limited.

The course of the transactions in checks on other Federal Reserve Banks has been already described.

The question of developing a collection system within the respective districts was discussed at the first meeting of the governors' conference on December 10, 1914, and has been an important item of discussion at each succeeding conference. It has also been discussed frequently at meetings of the directors of this bank and been the subject of communications between them and the Reserve Board. On February 17, 1915, the directors conferred at the office of the bank with 16 representatives of member banks from various parts of New York State relative to the practicability of establishing within the district a voluntary intradistrict collection system, based upon immediate credit and debit of checks. After full consideration and with the approval of the Reserve Board, the member banks were notified of the intention of the bank to establish such a system and given an opportunity to join it. When the plan became effective June 1, 1915, practically all the banks in the reserve and central reserve cities had joined, together with 32 in other places, a total of 70 banks. The directors of each bank which joined authorized the reserve bank to charge to its account upon receipt all items drawn upon it. About the same time a similar plan was offered to their members by the other Federal Reserve Banks except those at St. Louis and Kansas City, where membership was originally involuntary, and at San Francisco, where deferred debit and credit was adopted as a basis. On June 15 also, the receipt of checks on other Federal Reserve Banks, except those in Boston and Philadelphia, was changed from an immediate to a deferred-credit basis. The New York Clearing House placed all banks which had joined the collection system on its discretionary charge list. On July 1, 30 banks in northern New Jersey also joined the collection system, and in spite of a few withdrawals the number has gradually increased to 129 on December 31, 1915.

There seem to be three main reasons why so few country banks have joined the collection system.

The first is the practice, quite general among such banks in this district, of charging exchange on remitting for items drawn upon them. Broadly speaking, the smaller the bank the larger the percentage of its earnings derived from exchange. Under the present collection system, items are not sent for collection and remittance, but are charged directly against the account of the paying bank, giving it no opportunity to collect an exchange charge. Consequently only those banks joined which were ready to forego this charge, or did not customarily impose it.

The second consideration which prevents many banks from joining is that membership obliges them to carry larger reserves. Whereas the practice of the comptroller's office has been to figure reserves from the books of the member bank, the Federal Reserve Act contemplates that the amounts required to be kept on deposit in the reserve bank shall be figured from the books of the reserve bank. The reserves of banks which keep dormant balances with the reserve bank are maintained unimpaired, but there is constant tendency to impairment of the reserves of the banks which join the collection system, for in order to meet the checks charged against them through the system they are required in practice to absorb the volume of checks which they have constantly in transit to their reserve agents. Not only have the reserve balances kept with this bank by most country members of the system been constantly impaired, the average impairment during the first three months running as high as 31 per cent of the aggregate amount they should have kept on deposit, but hardly a day has passed without one or more members being actually overdrawn by the charge against them of unanticipated items.

The third difficulty is due to the small number of banks which have joined the system. With New York banks receiving at par for immediate credit all items drawn

on members of our collection system, the entire volume of checks outstanding against any member bank which joined might be regularly charged against its account by the Federal Reserve Bank, whereas it could only send as an offset checks on the few banks in this district which had joined. This is the principal cause of the impairment of reserves above referred to.

Seven months' experience with the present intradistrict collection system makes it seem reasonably clear that no substantial growth can be expected either in number of members or volume of transactions until those banks which join the system can be given an opportunity of adequately offsetting the items which are charged against them through it. The question of extending the collection system across district lines has been under active consideration for the last three months.

The following statement shows the number, volume, and kinds of checks received by the Federal Reserve Bank through its collection system since its inauguration June 1, 1915:

Date.	Items on New York Clearing House banks.		Items on member banks.		Items on other Federal Reserve Banks.		Items on banks in other Federal reserve cities.	
	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.
June.....	13,782	\$59,562,980.99	64,533	\$23,832,065.07	1,022	\$20,950,324.00	.....	.....
July.....	20,489	87,592,765.96	121,847	33,349,932.90	898	15,540,402.99	.....	.....
August.....	23,661	84,453,040.53	144,714	36,823,358.37	306	17,296,162.46	.....	.....
September.....	24,591	117,643,223.21	155,231	38,744,826.39	280	9,572,274.24	.....	.....
October.....	27,000	176,509,679.77	181,228	47,141,229.93	552	20,063,209.12	4,972	\$5,843,180.65
November.....	28,566	170,449,943.39	202,011	50,435,424.19	783	24,086,071.98	7,055	14,462,270.54
December.....	29,139	181,172,972.38	201,251	56,816,794.35	804	17,179,737.84	8,009	24,603,900.68
Total.....	167,225	\$77,384,606.22	1,070,815	\$27,143,631.20	4,135	\$24,678,182.63	20,036	\$44,809,351.77

The total number of checks received on deposit from member banks from November 16, 1914, to December 31, 1915, has been 1,362,642, aggregating \$1,938,810,485.

On August 9, 1915, the New York Clearing House established a department for the collection of checks on out-of-town banks, which includes all banks in New York, New Jersey, Connecticut, Massachusetts, and Rhode Island which agree to remit at par in New York funds on the day of their receipt for any items sent them. Starting with 347 members, their system now has over 500 members. The volume of transactions is about twice as large as that of the collection system of the reserve bank and, as its sphere of operations widens, the number of par points in the territory covered will increase. On December 30, 1915, the clearing-house offered to receive items on any banks joining its system in places from which mail reaches New York over night.

The clearing-house system was organized with a desire to cooperate with the reserve bank in improving collection conditions and the two systems have operated entirely harmoniously. That neither has made more substantial progress in enrolling country banks in New York State is due partly to the fact that many of the latter do not wish to give up the exchange charge and others do not wish to disturb present relations with reserve agents.

Through the influence of these two agencies par remittances in the district are gradually spreading. Where charges are made for collecting checks payable within the district the fee is usually one-tenth of 1 per cent.

ADMISSION OF STATE BANKS AND TRUST COMPANIES.

The regulation of the Federal Reserve Board relating to the admission of State banking institutions to the Federal reserve system was issued on June 7, 1915.

While final action on applications of State institutions rests with the Federal Reserve Board, the regulation requires the reserve bank to investigate thoroughly each application and forward it, with its recommendations, to the Board. The policy of this bank in passing on such applications conforms with the spirit of the regulation, which contemplates the admission of only those State institutions which will add strength to the reserve system. Mere solvency will not be a sufficient qualification. To receive the approval of the directors of this bank, a State institution must be not only solvent but strong, well-managed, and in a condition of liquidity appropriate to the nature of its deposits.

The application of the Broadway Trust Co. of New York City, made several months before the issuance of the regulation, has been approved by both the bank and the board, and on August 4, 1915, it paid in one-half of its subscription to the capital stock, transferred the prescribed amount of reserves, and became a member bank.

FISCAL AGENT OF THE UNITED STATES.

On November 24, 1915, the Secretary of the Treasury advised this bank that he had appointed it a fiscal agent of the United States, effective January 1, 1916. On this date it is purposed to begin the transfer to the bank of funds of the United States, except post-office and court funds now on deposit in national banks in New York City. These balances at present aggregate about \$1,500,000. The officers of the bank have conferred with officials of the Treasury Department both in Washington and New York and the details of the work have been carefully studied in order that this function may be performed satisfactorily from its inception.

The plan contemplated provides for the regular daily deposit with this bank of the receipts of the collectors of customs and collectors of internal revenue located in the greater City of New York and the gradual taking over of the encashment of checks of the Government by this bank in place of the subtreasury. It is expected that within a few weeks all deposits of this character, as well as the payment of all checks, can be handled by the bank without lowering in any way the efficiency with which this branch of the Government business is handled by present methods. It will, however, involve some increase in the clerical force and office accommodations of the bank.

BALANCE SHEET.

For purposes of comparison balance sheets of three dates are presented in the appendix. The large increase in the deposits of member banks is due primarily to the increase in their own deposits, elsewhere referred to, and to the fact that several are carrying substantial excess balances with this bank. About \$3,150,000 were received from the banks in northern New Jersey during July, 1915, and about \$3,674,000 were received from member banks outside of the central reserve city of New York at the transfer of the second installment of their reserves on November 16, 1915.

PROFIT AND LOSS.

During the early part of the period under review, certain expenses were incurred in organizing the bank, renting temporary offices, remodeling the banking room at 62 Cedar Street, defraying the initial expenses of the Federal Reserve Board, etc. The treatment of these expenses was carefully considered and it was determined that beginning January 1, 1916, the amortization of organization expenses, including the cost of the Federal Reserve notes issued up to that time should be undertaken in not exceeding 30 monthly installments, so that they would be entirely eliminated on or before June 30, 1918. It was also determined that unissued Federal Reserve

notes should be carried at cost in the balance sheet and that, beginning July 1, 1915, all notes should be charged at cost to current expenses.

In view of the small volume of rediscounts for member banks and of the complete absence of rediscounts for other Federal Reserve Banks, the policy of the bank has been to purchase in the open market sufficient warrants and acceptances to cover the cost of operation, including the issue of Federal Reserve notes. In fact most of the reserve banks, except those in Richmond, Atlanta, and Dallas, have had largely to depend on such purchases to pay their expenses. Owing to the general demand for such paper and investments, it has been impossible for this bank to secure a sufficient volume quite to equal its expenses. The rates on such investments have declined steadily throughout the year and are now at their lowest level. Realizing the influence which the reserve bank might have upon these rates if it pressed its funds upon the market, it has been the policy of the bank to follow rather than lead the market in its decline. In these circumstances, no thought could be given to earning dividends. The view generally held not only by the directors and officers of this bank but by the member banks as well is that such a money market as has prevailed during the period under review provides no proper basis for the earning of dividends by a Federal Reserve Bank located in a creditor district, and that at such a time its funds should be practically withdrawn from use.

From November 16, 1914, to December 31, 1915, total earnings from all sources have been \$345,035.33, and current expenses have been \$345,146.55, leaving a deficit for the period of \$111.22. The details of the earnings and of the organization and current expenses are set forth in full in the Appendix.

EXAMINATION BY THE FEDERAL RESERVE BOARD.

On February 8, 1916, the examiners of the Federal Reserve Board visited the bank and conducted an examination of its affairs lasting somewhat over a week.

FUNCTIONS NOT YET DEVELOPED.

The small amount of rediscounting done by member banks thus far has not made it necessary to consider the establishment of branches of this bank to facilitate either deposit or discount relations with its member banks. Thus far the mail has been a sufficient medium for the exercise of these two functions. Whether branches or agencies will later have to be established to provide promptness and directness in the collection system is a question which probably will not come up for solution unless and until the collection system reaches a more general development than at present.

Of the open-market operations described under section 14 of the Act, the authority to purchase acceptances and municipal warrants has been freely availed of; the authority to open accounts, appoint correspondents, establish agencies, and purchase bills in foreign countries as well as to deal in foreign exchange at home, has not been exercised and probably will not be generally availed of until conditions abroad have cleared and normal business is resumed. As yet no bonds or notes of the United States have been purchased, and consequently no Federal Reserve Bank notes based on such bonds have been issued. There has been no occasion to have transactions in gold coin or bullion.

No other Federal Reserve Bank has applied to this bank for the rediscount of any of its paper.



**CHAPTER III—THE MEMBER BANKS AND THE FEDERAL RESERVE DISTRICT.
READJUSTMENT OF DISTRICT.**

On May 4, 1915, the Federal Reserve Board voted to readjust this district so as to include it in the following New Jersey counties:

Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Passaic, Somerset, Sussex, Union, Warren.

The readjustment became effective July 1, 1915, and increased the number of member banks by 131. On December 31, 1915, there were 132 member banks in these counties contributing \$964,550 to the paid in capital of this bank and \$4,849,183 to its deposits.

NUMBER OF BANKS.

On November 16, 1914, the number of member banks in district No. 2 was 480, as on December 31, 1915, 616. During the period covered by the report, 131 banks in New Jersey were added by the readjustment of the district, 9 new national banks reorganized and became members, and 1 trust company became a member. For national banks withdrew from membership by liquidation, either voluntary or involuntary.

ELECTION OF DIRECTORS.

The separation of the banks of this district into three voting groups, in the manner provided by the Act, results at present in the following divisions:

Group 1.—Two hundred and five banks with capital and surplus of \$185,000 and over. (Elects directors in 1916.)

Group 2.—Two hundred and five banks with capital and surplus of from \$70,000 to \$185,000. (Elects directors in 1917.)

Group 3.—Two hundred and five banks with capital and surplus of \$70,000 and under. (Elected directors in 1915.)

On September 30, 1915, a circular was sent to each bank in group 3 designating October 29 as the last day when it might file the certificate of election of its district reserve elector and of nominations, if any, for the vacancies to be filled by the expiration of the terms of Messrs. Franklin D. Locke and Leslie R. Palmer. Of the 205 banks in the group 127 chose electors and became entitled to vote. The following candidates were nominated:

For class A director:

B. H. Howell, Garfield, N. J.; nominated by 1 bank.

Franklin D. Locke, Buffalo, N. Y.; nominated by 82 banks.

Josiah W. Place, New York, N. Y.; nominated by 3 banks.

Walter M. Van Deusen, Newark, N. J.; nominated by 4 banks.

D. D. Woodard, Granville, N. Y., nominated by 1 bank.

For class B director:

James W. Johnson, New Brunswick, N. J.; nominated by 3 banks.

Leslie R. Palmer, Croton-on-Hudson, N. Y.; nominated by 88 banks.

Preferential ballots as provided by the Act, together with instructions, were mailed to electors on November 15. On December 1 the polls closed and it appeared that the following votes had been cast in the column of first choice:

Class A director: B. H. Howell, 2; Franklin D. Locke, 105; Josiah W. Place, 4; Walter M. Van Deusen, 9; D. D. Woodard, 2.

Class B director: James W. Johnson, 8; Leslie R. Palmer, 114.

Whereupon Mr. Locke was declared elected class A director and Mr. Palmer class B director, each for a term of three years, beginning January 1, 1916.

Although second notices were sent out shortly before October 29 and December 1 respectively, regarding the choice of district reserve electors and the voting upon candidates, nevertheless, only 122 of the 205 banks exercised their important franchise to participate in the election of directors of this bank.

ANALYSIS OF OPERATIONS OF NATIONAL BANKS.

At the suggestion of the Federal Reserve Board and for the purpose of an analysis of operations, the member banks in the district have been divided into seven groups on the basis of their total resources, and certain figures from the reports of September 2 and November 10, 1915, to the comptroller have been tabulated under these groups:

Group 1. Banks with total resources under \$100,000.....	3
Group 2. Banks with total resources between \$100,000 and \$200,000.....	33
Group 3. Banks with total resources between \$200,000 and \$300,000.....	62
Group 4. Banks with total resources between \$300,000 and \$500,000.....	106
Group 5. Banks with total resources between \$500,000 and \$2,500,000.....	304
Group 6. Banks with total resources between \$2,500,000 and \$20,000,000.....	80
Group 7. Banks with total resources over \$20,000,000.....	25

The figures tabulated show the relations to total capital and to total resources of the investments, the deposits, the receipts from exchange, the net earnings, the dividends paid, and the amount of eligible paper held.

Investments.—The following table shows the percentage of the total resources invested in loans and discounts, in bonds and securities other than United States bonds, and in eligible paper. It seems to present no figures of especial significance except the relatively small percentage of bonds and securities held by the larger banks:

Group.	Average total resources per bank.	Relation to total resources of—		
		Loans and discounts.	Bonds and securities, not including United States bonds.	Eligible paper.
		Per cent.	Per cent.	Per cent.
1.....	\$60,846	48.68	11.12	20.09
2.....	162,399	48.23	18.18	19.36
3.....	254,702	47.95	20.94	16.57
4.....	387,849	50.48	23.96	14.24
5.....	917,732	44.21	24.48	12.82
6.....	6,069,073	52.98	16.89	16.38
7.....	116,342,950	55.54	9.01	10.14

Liabilities.—The following table shows the relation of the capital, surplus, and undivided profits to demand deposits and time deposits. It indicates clearly the greater extent to which the larger banks are able to expand their liabilities; also the more active nature of their deposits:

Group.	Average capital, surplus, and undivided profits per bank.	Relation to total capital of—	
		Demand deposits.	Time deposits.
		Per cent.	Per cent.
1.....	\$20,784	118.38	11.45
2.....	34,299		
3.....	51,702		
4.....	79,849		
5.....	197,732		
6.....	917,073		
7.....	12,342,950		

Nature of deposits.—The division of the deposits between demand and time is shown by the following table, which again emphasizes the far greater activity of the larger banks. The banks in New York City almost without exception take no saving accounts.

Group.	Average total deposits per bank.	Relation to total deposits—	
		Demand deposits.	Time deposits.
		Per cent.	Per cent.
1.....	\$34,406	91.06	8.94
2.....	107,588	80.64	19.36
3.....	175,296	77.25	22.75
4.....	280,202	72.78	27.22
5.....	666,111	69.72	30.28
6.....	4,816,866	88.85	11.15
7.....	99,841,084	98.96	1.04

Exchange, earnings, and dividends.—Yet the greater resources of the larger banks do not result in earnings proportionately larger, since a very large part of the loans of the smaller banks run at a steady 6 per cent rate, while the loans of the larger banks, particularly in New York City, are subject to the money-market rates, which seldom reach 6 per cent. Furthermore, the more active nature of the deposits of the city banks requires the maintenance of larger reserves, not only of cash but of readily convertible paper and loans. The larger proportion of their earnings paid out in dividends than in the case of the banks with resources under \$300,000 is due probably to the fact that the latter class of banks are largely new institutions which consider it necessary to accumulate a substantial surplus before paying normal dividends. The table shows the relation of gross receipts from exchange, of net earnings and of dividends to both total capital and total resources. They are averaged from the figures reported for 1912, 1913, and 1914, but as the figures of total capital and total resources for those years are not available the figures of November 10, 1915, are used. Therefore the average figures are not correct, being smaller than they actually should be. They are sufficiently accurate, however, for purposes of comparison between the larger and the smaller banks. The smaller the bank the larger in proportion are its receipts from exchange.

Group.	Receipts from exchange.		Net earnings.		Dividends.	
	Per cent of capital, surplus, and undivided profits.	Per cent of total resources.	Per cent of capital, surplus, and undivided profits.	Per cent of total resources.	Per cent of capital, surplus, and undivided profits.	Per cent of total resources.
1 ¹						
2.....	1.16	0.25	4.84	1.01	1.49	0.61
3.....	.90	.18	6.04	1.21	2.67	1.04
4.....	.73	.15	6.45	1.28	3.58	1.36
5.....	.45	.08	6.39	1.17	4.11	1.53
6.....	.39	.06	6.39	1.01	4.88	1.81
7.....	.14	.02	6.91	1.10	4.79	1.78

¹ The three banks composing group 1 were not in existence during these years.

Directors' liabilities and eligible paper.—The relation of the directors' liabilities, direct and indirect, and of the eligible paper, to loans and discounts, is shown in the following table. It appears that the smaller the bank the more, proportionately, are its directors indebted to it; also the greater the proportion it holds of paper eligible

rediscount with the Federal Reserve Bank. The figures relating to eligible paper, however, are very approximate, since they represent merely estimates presented by each bank according to the judgment of its officers.

Group.	Average loans and discounts.	Directors' liability, direct.	Directors' liability, indirect.	Eligible paper.
		<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1.....	\$28,406	27.86	19.57	43.40
2.....	78,327	6.17	13.70	40.15
3.....	123,276	5.28	9.40	34.53
4.....	195,813	5.45	8.25	28.21
5.....	405,748	5.81	6.01	29.00
6.....	3,226,332	4.41	1.40	30.92
7.....	64,574,549	1.60	.17	17.90

The aggregate figures from which the foregoing tables of percentages have been compiled will be found in the Appendix.

The various analyses above presented indicate clearly the advantages which the larger banks have over the smaller banks in respect of ability to do a larger volume of business. Yet, except in the case of the very small banks, the amount earned, net, on the total capital contribution does not vary greatly. There seems to be no indication in these figures that small banks in a favorable location can not, if well managed, become firmly established, pay reasonable dividends, and serve well their communities. But to reach and maintain a satisfactorily strong position much service must be given without compensation by the senior officers, and great economy practiced at all times. The nine new national banks established during the period under review, with \$25,000 capital each, indicates that the experience of other small banks in recent years has not been altogether discouraging. It is desirable, however, that in this district, already well provided with banking capital, careful investigation should be made of applications to establish small banks, in order that they may not be authorized in communities unlikely to be able to support them or already well supplied with banking facilities.

For perhaps the most important study of banking condition the comptroller's reports do not present the necessary data, namely, the nature of the loans and discounts of the banks. While these reports show whether the loans and discounts are on demand or time, and are secured or unsecured, they do not indicate what proportion of them is temporary and what proportion is practically permanent. The relative liquidity of the various groups of banks can not therefore be presented. Naturally an analysis of loans and discounts with this object in view would be difficult, and at best only approximate, but it is believed that if some satisfactory basis for the preparation of figures can be arrived at it would be of the greatest value, not only as a contribution to the study of banking conditions but as a guide to the reserve bank in extending credit to its members.

TIME DEPOSITS AND SAVINGS ACCOUNTS.

On November 10, 1915, the member banks in this district held time deposits aggregating over \$140,000,000. These are mainly savings accounts, on certificates or special pass books. They also have a considerable volume of savings accounts which are included in their demand deposits because they are not received under contracts which give the bank the right to require notice before withdrawal. In New York State there are 140 mutual savings banks with total deposits on July 1, 1915, of \$1,791,524,601. There are also a number of important mutual savings banks in the portion of New Jersey included in this district. Most of these savings banks pay 4 per cent on deposits. The influence of this rate is reflected in the rate offered by the commercial banks, National or State, which wish to attract time and savings

accounts. The competition among banks for such accounts usually starts in the larger centers where there is a mutual savings bank. To compete with the savings bank they offer the same rate, and having once begun to allow it no bank feels willing to reduce it for fear of losing business to its competitors. The effect of this is promptly felt in the surrounding country, and the sphere of influence of these various centers has gradually widened, so that, with a few exceptions in the more remote districts, 4 per cent is the usual rate paid by commercial banks for time and savings accounts. At this rate the business has a margin of profit which, for a commercial institution, is not commensurate with the profits it should make. Furthermore, it leads in many cases to paying interest on demand commercial accounts. It may fairly be said that one of the principal reasons why the country banks in this district are so sensitive to any loss of income the reserve system is likely to entail upon them is the burden of paying high interest rates on deposits which they have assumed and which, while willing, they have been as yet unable to find any practical way to reduce.

Under the stimulus of the reduction of the required reserve provided by the Act on time and savings deposits, the conversion of such accounts from demand to time accounts which will comply with the definition established by the Act and the Reserve Board is proceeding quite generally. During the period time deposits have increased at a ratio about five times greater than the ratio of increase of demand deposits.

LOANS ON IMPROVED FARM LANDS.

The provision of the Act permitting loans on improved farm lands has not been largely availed of as yet. On November 10, 1915, 75 member banks reported \$451,524 of such loans.

FIDUCIARY POWERS.

The Federal Reserve Board is authorized by the Act "to grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said Board may prescribe."

With respect to New York, counsel for the bank has rendered an opinion that it is in contravention of State law to grant such permits except with respect to acting as registrar of stocks and bonds. Accordingly, no general fiduciary permits have been granted in New York, but a number of banks have been authorized to act as registrar of stocks and bonds.

With respect to New Jersey, counsel has rendered an opinion that it is not in contravention of State law to grant such permits to banks organized prior to the passage of the general trust company act of March 24, 1899. Under this opinion, adopted by the Federal Reserve Board, general fiduciary permits have been granted.

The Federal Reserve Board requires the Federal Reserve Bank to pass upon all such applications before it considers them. As in the case of the admission to membership of State institutions, the policy of both the Board and the bank is to approve only applications of banks which appear to be strong and well managed.

The list of member banks to which permits have been granted will be found in the Appendix.

BRANCHES OF MEMBER BANKS.

Under the authority granted by section 25 of the Act, the National City Bank of New York has opened branches at Buenos Aires, in the Argentine Republic, and at Rio Janeiro, Santos, and Sao Paulo, in Brazil. The Buenos Aires office has a subbranch in Montevideo, Uruguay. It has also absorbed the Banco de la Habana, Habana, Cuba, a going concern with \$1,000,000 capital, which is now operated as a branch. The bank has assigned to these branches a capital of \$3,000,000, but the provision of the Act requiring capital to be set aside is considered undesirable, as there can be no limitation upon the liability of the bank for liabilities contracted at its branches.

Inasmuch as British and other branch banks operating in South America report their total capital, it seems inadvisable to have any suggestion of limited responsibility on the part of our banks with respect to their foreign branches. The National City Bank reports that many difficulties in the establishment of branches in foreign fields so far from headquarters were anticipated and have been realized, but that what has been accomplished is sufficiently encouraging to justify persistence in its policy. The National City Co., affiliated with the National City Bank, has recently bought control of the International Banking corporation, with head office in New York and with a number of branches in foreign countries, mainly in the Orient.

While in some respects the European war has favored the establishment of foreign branches, in other respects it has hampered their progress. Some business has been diverted thereby to the United States, but on the other hand the war has so demoralized trade and disturbed credits as to multiply the hazards of banking for institutions seeking to obtain a foothold in distant countries. The difficulties, expense, and risks attendant upon the establishment of foreign branches in cities other than the leading European centers are such as to deter any but the largest banks from undertaking this desirable extension of our banking facilities. The organization of special banks, as has been frequently suggested, to transact business in foreign countries, would be in accordance with the practice of European countries having foreign trade to finance. If the national banks were permitted to hold stock in such banks it would offer them an opportunity to facilitate the foreign business of their customers with a minimum of risk and would be consistent with the policy of offering substantially equal advantages to all national banks.

In New York a State bank or trust company is allowed considerable latitude, under certain restrictions, in the establishment of branches in the city in which its main office is situated. Several institutions have availed themselves of this privilege during the past year. One, the Century Bank of New York, with 10 branches, secured a national charter and then absorbed the Chatham & Phenix National Bank of New York. The business of both banks and all the branches is carried on under the name of the Chatham & Phenix Bank of the City of New York. An indirect way has thus been found for the establishment of branches by national banks in their own cities. This is a desirable extension of their field of usefulness which seems to give every advantage to depositors with a minimum of disadvantages to borrowers, and it is to be hoped that Congress will soon amend the national-bank act so as to permit the development, under appropriate restrictions, to proceed directly and freely. At the same time the present requirement that to each branch a certain specified portion of the capital must be assigned should be removed. Sound banking principles and practice require that the entire capital of the bank should protect the liabilities wherever created.

CHARACTERISTICS OF THE FEDERAL RESERVE BANK OF NEW YORK.

The special characteristics of the Federal Reserve Bank of New York may be summarized as follows:

1. It is primarily a city institution. On December 31, 1915, \$7,288,650, or 65.88 per cent, of its paid-in capital is contributed by its 34 members located in the central reserve city of New York (Boroughs of Manhattan and Bronx); the remaining \$3,774,500, or 34.12 per cent, of its paid-in capital is contributed by the 582 other members. Of its deposits \$161,794,012, or 90.18 per cent, is contributed by these city members; the remaining \$17,610,489, or 9.82 per cent, of its deposits is contributed by the 582 other members.

2. It is located in the settling center of the country; therefore, a very large volume of domestic exchange is likely to flow through it.

3. It is located in the city, upon the banks of which, in commercial or financial crises, the principal strain has always fallen. It must, therefore, always be prepared to grant credit promptly, in large volume and in such form as it may be required.

4. It is located in the city in which the principal gold exports and imports normally are arranged, and must be prepared to facilitate its member banks in such transactions.

5. It is located in the investment and banking center of the country, and therein in the most favorable field for the exercise of the open-market operations authorized under section 14 of the Act. During the past year the bulk of investments by all Federal Reserve Banks in municipal warrants and bankers' acceptances have been made through this bank, and it seems likely that when conditions permit the inauguration of transactions in foreign exchange and foreign bills by the reserve banks it will be again called upon to act for them.

6. The exercise of these investment functions for itself and other reserve banks requires an organization of a special nature, differing somewhat from that of other reserve banks.

RELATIONS WITH MEMBER BANKS.

The aim of this bank at all times has been to maintain frank and friendly relations with its member banks. At every meeting of the New York or New Jersey Bankers' Associations, or of their groups, to which invitations have been received, one or more of the directors or officers have been present and discussed the development of the various functions of the system.

When the establishment of an intradistrict collection system was under consideration, the directors and officers invited representative member bankers from all parts of the district to confer with them at the office of the bank. The plan finally adopted was thoroughly discussed in all its aspects and a consensus of opinion seemed to prevail that it was a fair and reasonable plan.

When the conditions under which State banks should be admitted to the Reserve System were under consideration three conferences were held by the directors and officers of the bank, one with national bankers, one with State bankers, and one with trust company officers, from various parts of the district, to ascertain their views upon the question at issue. In every case the policy has been pursued of dealing frankly with those present, in order that they might understand fully how the action under consideration would affect them.

The officers have expressed themselves at all times as desirous of establishing personal relations with officers of member banks and have invited them to call at the bank when in New York City. Yet a year has gone by and officers of probably not over 15 per cent of the member banks have done so. Many of them still have the feeling that the bank is a branch of the Government. Their experience with the Government consists principally of the statutory and supervisory relationship which exists between them and the comptroller's office. The conception of the relation of this institution with them as cooperative makes headway slowly. The fact that the national banks were practically compelled to join the system naturally retards the development of the cooperative idea. The change of attitude, upon which the success of the system will ultimately depend, will probably come slowly, but there are already signs, as we enter upon the second year of the system, that the banks are getting more accustomed to it and appreciate the results it has already accomplished. It is hoped that during the coming year, with organization pressure somewhat lessened, more time can be devoted by the officers to developing personal relations with the officers of member banks.

The present attitude of the member banks toward the reserve bank may be summarized as follows:

The New York City banks, upon which the strain of all crises first and chiefly falls, fully understand the value and benefits of the system. While regretting the

loss of bank deposits which will probably be drawn from them (estimated to be as high as \$250,000,000), they are nevertheless hearty supporters of the system, at all times cooperative in their attitude.

Many of the banks in other large cities are unable to take full advantage of the lowered reserve requirements, but in spite of the loss of interest on their reserve balance, most of them understand what the system in its larger aspects means for American banking and generally give it their support.

While the same may be said of many of the country banks, yet it is among the country banks as a class that most of the apathy and hostility to the Federal Reserve System which still persists is found. Their opportunities and earnings are relatively small, and in order to live they must figure closely. They feel the loss of interest on reserve deposits; the absence, as yet, of dividends on their capital contribution; and the prospective loss or decrease of the exchange they generally charge on remitting for checks drawn upon them. Many banks in industrial centers are precluded by the activity of their business from taking advantage of the reduction in the required reserve. They believe that they will, in fact, be required to carry an even larger reserve than heretofore in order to obtain collection service for notes, drafts, and nonmember bank checks and the various other services now rendered by their reserve agents, but not yet undertaken by the reserve banks. It is very natural that they should view with reluctance the termination or diminution of long-standing business associations with their reserve agents. Few of them, as yet, conceive of the reserve bank as their active reserve agent, performing all the services which go with the relationship. The dormant accounts most of the banks maintain with the reserve bank are, perhaps, indicative of their attitude toward it. Relatively few banks of this district are borrowers; in good times and bad they have been able when necessary to borrow from their city correspondents on bonds or on the indorsement of their directors, two avenues which are now to be closed to them. The rediscounting privilege has been little availed of and the larger functions of the Federal Reserve System, such as influencing domestic rates and international gold movements through the development of a discount market and by dealing in foreign bills, appear remote from their spheres of activity. They feel that the system has few advantages to offer in return for the cost it entails upon them.

All of these points will be felt with increasing acuteness by the country banker as his reserve transfers approach completion and as reduced balances result in reduced service from his city correspondent. His point of view is outlined thus frankly in order that the difficulties he sees may be clearly recognized and steps taken gradually to remove them. The development of a more satisfied relationship requires progress on the part of the reserve bank and a willingness to cooperate on the part of the country banker.

The reserve bank should organize a complete collection system embracing the handling of notes, drafts, and items on nonmember banks, which eventually will bring all the members into daily active relations with the bank. It must be ready to act for member banks in the purchase, sale, and custody of securities; to supply credit information on names whose paper is offered by brokers; to give its members information concerning methods of developing the new functions which the Act authorizes them to exercise; to perform the services now rendered by their reserve agents; and generally to assist them in every reasonable way.

The member banks should look upon the reserve bank not as an alien but as their own institution. They own all its capital and most of its resources, and they control its management through the directors they elect, subject always to the supervision of the Reserve Board. At the reserve bank they may borrow as a standing right and not as a favor which may be cut off. They no longer have to buy or carry bonds to serve as security for loans; the paper of their own customers, large or small, will now serve as their security. While panics in the past may not have affected them,

they have been disastrous to the business interests of the country, who are their customers; and their contributions to the reserve bank should be recognized as a form of insurance not merely for themselves but for their customers as well. If this insurance is expensive and makes some changes in the nature of their business the Act should be carefully studied with a view to making the most of the new functions it provides. New avenues of activity should be looked for. The banks which will get the most out of membership are those which are the first to see and develop the opportunities it provides and to educate their customers to the protection and facilities they will enjoy through the system. The occasion is a favorable one also for the correction of abuses. Customers will do things in the name of the Federal Reserve System which they have never done before. The experience of banks in using the forms provided by the reserve bank to get statements from their borrowers is evidence of this. The occasion should be seized also to increase the balances of depositors who carry unprofitable accounts. To assist member banks in studying the accounts this bank has had under preparation by chartered public accountants a reasonably simple form for analyzing accounts which may be obtained by banks desiring to use it.

It is the duty of the directors and officers to understand not only the problems of the reserve bank but those of the member banks as well; and it has been their endeavor during the past year to give special study to those of the country bank. Several suggestions for the relief of the country bank have come to their notice.

One of these, which the American Bankers' Association at its 1915 Seattle convention favored, was to permit the 3 per cent of reserve which the member bank may carry either in its vaults or in the reserve bank, to be deposited with member banks not more than 300 miles distant and count as reserve. This seems to be contrary to the spirit and intent of the Act, which is primarily to centralize reserves in Federal Reserve Banks.

Another suggestion which seems more worthy of consideration is that the percentage of reserve required for country banks should be somewhat further reduced. When the reserve transfers are completed checks in transit can no longer count as reserve. It is clear, therefore, that the reserve reduction contemplated by the Act will not be realized in practice. A further reduction in the reserve requirements would, in the case of many banks, result in a reserve less than the amount their business actually required, and would enable them to carry the amount thus freed wherever it would best serve their particular business, and, if they so desired, to maintain some relations with present city correspondents. It would lead away from the present rigidity of bank reserves toward greater flexibility and a better understanding of their meaning and purpose.

The formation of a national-bank section of the American Bankers' Association and the cooperative relationship which its executive committee has established with those charged with the duty of operating the Federal Reserve System, suggests the desirability of the formation of similar sections of State bankers' associations. Owing to its diverse membership, consisting of national banks, State banks, trust companies, savings banks, and private bankers, State bankers' associations are naturally somewhat reluctant to deal actively with the problems and development of the Federal Reserve System. Too large a proportion of their membership is interested only academically in the system. A national-bank section of a State bankers' association could act as an important medium of communication between the reserve bank and its member banks, and would be of constant value to both.

NATIONAL-BANK SECTION OF THE AMERICAN BANKERS' ASSOCIATION.

The American Bankers' Association at its meeting in Seattle on September 6-10, 1915, established a national-bank section. The officers and executive committee of this section had their first meeting in New York City November 20, some of the sec-

sions of which the governor and chairman of this bank had the privilege of attending by invitation. The cooperative attitude of the organization toward the development of the system was apparent throughout and great satisfaction was expressed that member banks now had an organization through which they could express their desires and views officially to the Reserve Board and the reserve banks, and through which the Reserve Board and reserve banks could communicate officially with the member banks. The work of this section if carried forward on broad lines is likely to play an important part in the development of the reserve system, and it seems desirable that the plan should be followed in the State bankers' association as well.

RELATIONS WITH STATE BANKS.

The attitude of the State institutions in New York City and other large cities to the reserve system is one of friendly support and of appreciation of its meaning and advantages to the banking and business interests of the country. They agree that ultimately, in order to give the system the strength and influence it should have, State institutions should join it, but they see no immediate need of doing so and are inclined to wait and observe what advantages it will develop for them. Some have expressed the belief that, without bearing the burdens of the system, they will, nevertheless, be able to participate indirectly in its advantages. The officers of some of the leading institutions have expressed a desire that before considering joining the system their status as members should be more fully defined by law and left less to the regulation of the Reserve Board. The attitude of State institutions in the country districts appears to be one of complete indifference.

CHAPTER IV.—GENERAL CONDITIONS.

INTRODUCTION.

In view of the abnormal conditions which have prevailed and of the progress which has been made from business depression to business activity during the period under review, a description is presented in some detail of the main factors which have contributed to the change, together with a brief summary of present industrial and banking conditions.

CLEARING-HOUSE LOAN CERTIFICATES.

Between August 3 and October 15, 1914, the New York Clearing House Association issued to 44 of its 61 members 3,128 loan certificates, aggregating \$124,695,000. The largest amount outstanding at any one time was \$109,695,000 on September 25. The first cancellation was on August 26, and the last on November 28, 1914. The period of time from the first issue to the final cancellation was 118 days, compared with 154 days in the panic of 1907-8 and 132 days in 1903. The percentage of maximum amount of certificates outstanding to total deposits of clearing-house members was 5.5 as compared with 8.28 in 1907-8.

EMERGENCY CURRENCY.

The National Currency Association of the city of New York, formed under the Aldrich-Vreeland Act, approved 129 applications for emergency currency between August 3 and October 6, 1914, aggregating \$145,298,960. The largest amount of emergency currency in circulation at any one time was \$137,012,260 on October 21. The maximum amount of emergency currency which could have been issued, under the approval of the Secretary of the Treasury, by the New York City association was \$302,905,000, which is 125 per cent of the combined capital and surplus of the member banks. The New York City association availed itself of 47.86 per cent of the amount

which, under the law, it was possible to issue. The first cancellation was approved October 13, 1914, amounting to \$2,000,000, and the last January 25, 1915.

National currency associations were also formed in other important cities in the district.

THE NEW YORK STOCK EXCHANGE.

On Friday morning, July 31, 1914, the New York Stock Exchange closed. It was the last large exchange of the world to suspend trading. This action was taken after meetings between the governors of the exchange and leading bankers, to protect the market against demoralization and further selling of securities from abroad. The very large volume of loans on stock exchange collateral held by the New York banks for themselves and their correspondents became at once completely illiquid, and the value of the collateral could not be ascertained. Even the auction rooms were closed, and the prices at which a small volume of rather urgent dealings in stocks and bonds was carried on, were not made public. Later a minimum price list was established and efforts made by the stock exchange committee to control the trading, which became more active as the situation eased.

The fact that there was no market for bonds was an added unsettlement to general business. New financing had to be postponed, and even some municipalities failed to sell their bonds.

On November 28 the exchange was partially opened for trading in bonds at fixed minimum prices. On December 12 trading in stocks was resumed on a restricted basis, subject also to minimum prices. These restrictions were gradually relaxed and were finally removed on April 1, 1915.

Trading became very active in April and the great speculation began in shares of companies engaged in making supplies for belligerent nations. Sales of \$109,934,000 bonds and 20,007,188 shares of stocks made April the most active month on the exchange in the past five years. A very active and rising market continued until the sinking of the *Lusitania* on May 7, when a severe decline in prices set in and the volume of dealings decreased about 50 per cent. Activity was resumed in July, when \$56,489,500 bonds and 14,326,813 shares of stocks were sold. This movement was increased during August and September to such an extent that brokers found difficulty in carrying out the routine work entailed by their orders. The unrestrained nature of the speculation evoked considerable public comment. A broader market with more general trading and activity in railroad issues came in October, when \$104,490,000 bonds and 26,639,081 shares of stock were sold. The heaviest dealings in bonds of any month since June, 1909, occurred in November on transactions amounting to \$124,697,500.

The comparative transactions in bonds and stocks for the past five years have been as follows:

Year.	Shares.	Bonds.
1915.....	173,155,644	\$955,525,200
1914.....	45,989,158	480,472,500
1913.....	76,134,996	497,158,600
1912.....	118,452,678	645,300,000
1911.....	127,376,149	878,933,700

The selling of American stocks and bonds held by European investors has been steady and persistent throughout the year, accelerated at times by the very favorable movement of exchanges for such sellers. Mr. L. F. Loree, president of the Delaware & Hudson Railway Co., early in the year undertook to obtain from the railroads of the country an estimate of the total amount of railroad securities held in foreign countries, and published figures during the early spring showing the amount reported

as of January 31, 1915. On December 24 he published a subsequent estimate as of July 31, showing \$2,223,000,000 par value, or \$1,751,000,000 market value, a decrease in the par value of \$480,000,000 during the six months. These figures do not include any industrial or municipal securities, of which large amounts are held in foreign countries.

In some of the European countries, notably in Great Britain, the Governments have made arrangements with holders of American securities to borrow them for use as collateral to loans to be placed in the United States, with authority to sell them if occasion to do so should arise.

FOREIGN EXCHANGE.

The foreign exchange market since July, 1914, has witnessed trying conditions, unparalleled fluctuations and extraordinary relief measures in both Europe and the United States.

On July 17, 1914, demand sterling was quoted at 4.8690 with a downward tendency, caused by offerings of grain and finance bills. Francs and marks were quoted at 5.16 $\frac{1}{2}$ and 96 $\frac{1}{8}$, respectively. During the following week political unrest in Europe and firmer discounts abroad caused sharp advances in rates.

Immediately after the outbreak of the European war thousands of American tourists in the warring countries found themselves without money and unable to negotiate letters of credit. Demands for payment of loans and credits, sales of securities, and remittances for tourists became so great that the exchange markets were completely demoralized and rates were not posted. Sterling cables were quoted at 7 on August 1; checks on Paris 4.25. The Government and the bankers acted promptly by dispatching the U. S. S. *Tennessee* with \$4,500,000 in gold, and a credit was opened through the Bank of France by Messrs. J. P. Morgan & Co.

Shipping and export trade were greatly unsettled by war conditions. Notwithstanding the moratoria abroad, the United States faced the necessity of settling its maturing foreign indebtedness, which to England alone was estimated to exceed \$200,000,000. Arrangements were made by the Bank of England whereby remittances of gold might be made for its account to Ottawa.

Credit interchanges were quickly established between New York and London, and by August 15 nominal quotations for demand sterling declined to 5. During the next two months exports of grain, cotton, and general merchandise became more normal and bills drawn against them were freely negotiated at rates ranging between 4.92 and 5.08. Nominal rates for French and German checks were 5.05 and 97, respectively. The latter declined to 90 $\frac{1}{2}$ during the third week in October.

In order to cope with this extraordinary situation it was felt that joint action on a comprehensive plan would become necessary. The Federal Reserve Board, in conjunction with the Secretary of the Treasury, therefore took the initiative in calling, September 4, a conference of representatives of the clearing houses of all the reserve cities.

Letters signed by Messrs. James B. Forgan, Levi L. Rue, Benjamin Strong, jr., Thomas P. Beal, and Sol. Wexler were addressed to the Secretary of the Treasury and the Federal Reserve Board on September 4 and September 19 recommending the formation in New York of a gold pool through which the requirements of all parts of the United States for foreign exchange would be fairly and impartially dealt with. The plan was approved by the Secretary of the Treasury and the Federal Reserve Board on September 21, and on that date the first meeting of the gold fund committee was held at the New York Clearing House. The members were Albert H. Wiggin, chairman; James B. Alexander, Francis L. Hine, Benjamin Strong, jr., William Woodward, and Frank A. Vanderlip. Banks and trust companies in New York City subscribed to the pool \$45,000,000, and subscriptions amounting to \$63,929,360 were

received from banks and trust companies throughout the United States. It was found unnecessary, however, to call for more than 25 per cent of the subscriptions, and owing to the easier exchange market resulting, to a considerable extent, from the mere existence of the pool, its activities were quite limited. Another gold pool aggregating \$100,000,000 was formed in September by New York banks to provide gold for shipment to London to pay the indebtedness of New York City maturing there before the close of the year, but Messrs. J. P. Morgan & Co., the managers of the pool, found it unnecessary to call for payment in gold of more than about one-third of the subscriptions.

During October there was an appreciable improvement in the general exchange situation. The movement of exports was improving and call money rates in London were about 1 per cent. At the invitation of the Secretary of the Treasury, Sir George Paish and Basil P. Blackett, Esq., arrived from England during October and remained about a month discussing the situation with the Government and bankers, but no definite action resulted from their visit.

The ending of the British moratorium on November 4, the improvement in cotton exports, and the operations of the gold pool all contributed to further ease in rates during the first week in November. German exchange was stronger during the second week in December, as a result of remittances for securities sold. French checks at this time were quoted at 5.16, and in the last week of 1914 demand sterling declined to 4.84½.

On January 9, 1915, the return movement of gold from Ottawa commenced. It began to be generally recognized that international trade would run heavily in favor of the United States. The managers of the gold pool met on January 22 and decided to return to subscribers the balance of their payments.

During February more cotton bills appeared in the market and exports continued to show a large excess over imports. The movement of supplies to the warring nations was very heavy. On February 11 demand sterling declined to 4.82½, the lowest figure since October, 1907. Francs declined to 5.22½ and marks to 85½. The next week sterling receded still further to 4.79, and continental rates also followed. Notwithstanding the low rates, gold was not imported in any large amounts. A steady sale of American securities from abroad continued.

In April the advances in security prices on the New York Stock Exchange and the low rates of international exchange induced increased foreign selling of securities in this market. Exchange rates did not vary very much until the third week in May, when a new low record of 5.43½ was established for Paris checks. At the end of July there was a very weak market, and during the second week in August sterling declined to 4.70½ in spite of large remittances of gold from London via Halifax. This weakness continued with gradual declines which became very abrupt toward the end of August. On September 1 the record low quotation of 4.50 to the pound was reached. From this there was a quick recovery on moderate transactions during the next few days, the rate being carried in a firm market to 4.72.

The Anglo-French commissioners, Lord Reading, Sir Edward H. Holden, Bart., Sir Henry Babington Smith, Basil P. Blackett, Esq., M. Ernest Mallet, and M. Octave Homberg, arrived on September 10 to discuss with American bankers plans to stabilize exchange. Further large shipments of gold were received from London via Halifax. Rates fluctuated irregularly. During the next month a firmer tone resulted from prospects of successful negotiations with the Anglo-French commissioners, but when the underwriting of the \$500,000,000 loan was announced the market did not respond and weakness in sterling was accompanied by recessions in continental exchange. During the third week in October the publication of figures of heavy exports and large offerings of bills caused further weakness. An irregular but stronger market developed in November and continued during December with the

exception of German exchange, which reached the record low quotation of 75½ on December 16. It should be observed that the effects of violent fluctuations are quite as serious as abnormal rates of foreign exchange. Our foreign commerce can not be conducted without unusual hazard of loss to importer and exporter whether exchange on other countries is quoted at prohibitive premiums or prohibitive discounts. The unusual hazards of commerce in time of war are greatly magnified by violent fluctuations in the cost of settling accounts whether for goods imported or exported.

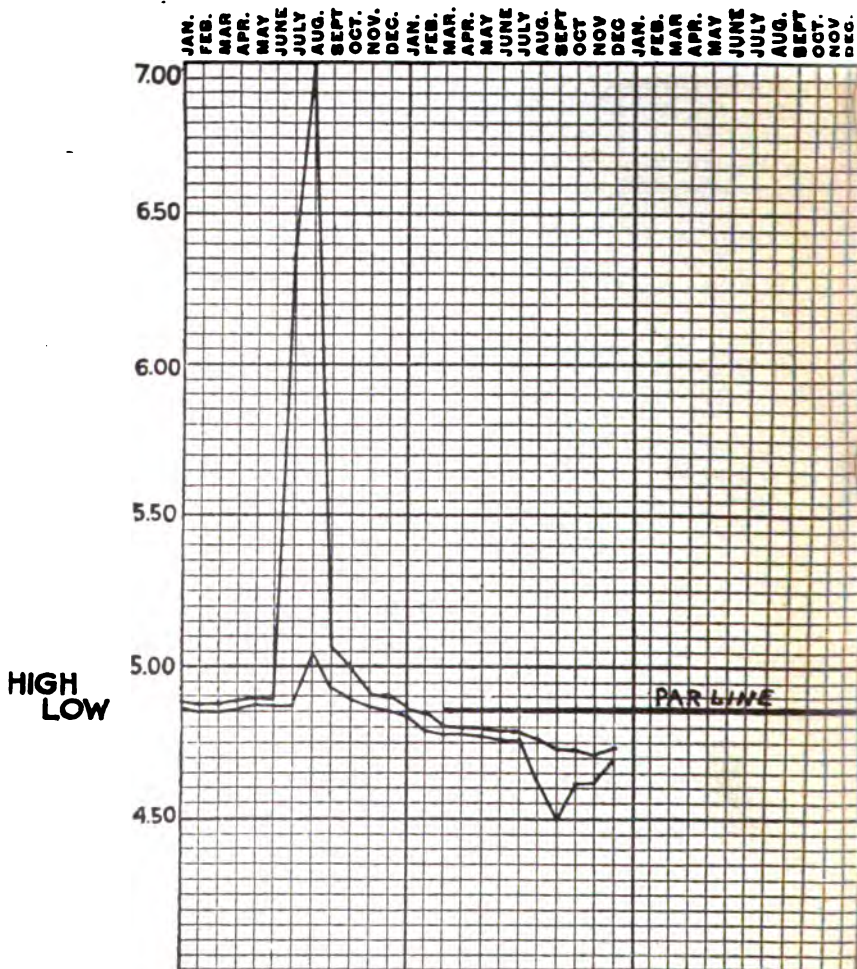
The efforts of bankers have therefore been continuous since the outbreak of the war to establish a more stable market for exchange, as well as to bring about more normal quotations, whether the exchanges have been at prohibitive premiums, as in the fall of 1914, or at serious discounts, as during the past few months. The difficulties have been increased by the risks involved in transporting gold from one country to another, the difficulty of obtaining insurance at reasonable rates against both marine and war hazards, and the lack at times of neutral vessels satisfactory to shippers and underwriters. In the period reviewed the range of the leading quotations, chiefly for cables, has been:

	Low.			High.		
	Date.	Rate.	Dis- count.	Date.	Rate.	Pre- mium.
			<i>Per cent.</i>			<i>Per cent.</i>
<i>Sterling</i>	Sept. 1, 1915	4.50	7.5	Aug. 1-8, 1914	7.00	43.8
<i>Francs</i>	do.....	6.03	16.3	do.....	4.25	18.0
<i>Marks</i>	Dec. 16, 1915	.75½	20.3	do.....	1.01	6.0
<i>Roubles</i>	Nov. 9, 1915	32.00	37.8	do.....	.52½	2.0
<i>Lire</i>	Sept. 1, 1915	6.55	26.4	do.....	4.00	22.8
<i>Guilders</i>	do.....	.38½	4.2	Dec. 30, 1915	.43½	8.2

The following chart shows the high and low points of sterling exchange, by month, during 1914 and 1915:

COURSE OF STERLING EXCHANGE

1914 | 1915



THE GOLD MOVEMENT.

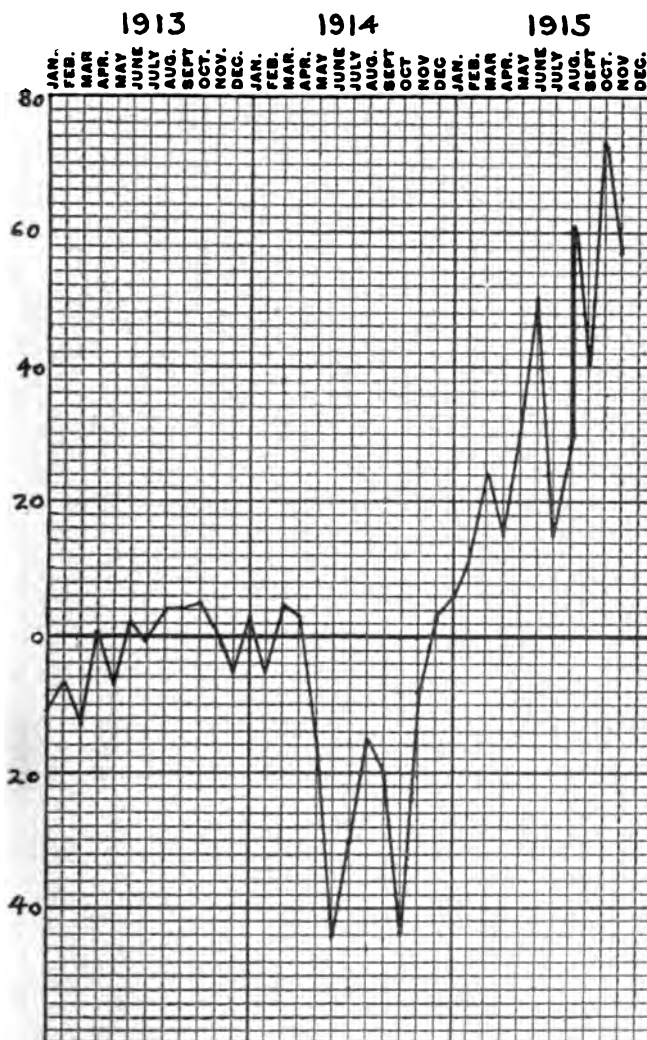
The total imports of gold into the United States for the 11 months ending November, 1915, aggregated \$403,531,913, as compared with \$53,279,000 in the same period last year. Most of this came from Canada, representing the return of gold that was shipped in the fall of 1914 from New York to Ottawa on account of the Bank of England, and the large shipments sent from London via Halifax. The facilities at the assay office were hardly sufficient at times to handle the great quantity of gold imported and

some shipments were delayed in Canada until room could be made at the assay office for further receipts. A large part of the later shipments have consisted of foreign coin.

Exports of gold from the United States for the first nine months of 1915 amounted to \$19,536,133, against \$222,485,000 in the corresponding months last year.

The following chart shows the net gold movements during 1913, 1914, and 1915.

Balance of gold movement (in millions of dollars).



IMPORTS AND EXPORTS.

Compared with the exports of 1913 those of 1914 were showing a steady decrease each month until after the outbreak of the war. From September on, a steady recovery in the volume of exports took place, due principally to the great shipments of supplies to the warring nations which have continued ever since in increasing volume, notwithstanding an increase in ocean freight rates varying from 25 per cent to 250 per cent according to the destination. The lack of adequate shipping elevators and lighterage to handle the enormous quantity of exports has caused much congestion. During

December, 1915, approximately 45,000 carloads were held in warehouses and freight cars in and near New York awaiting shipment. The railroads have felt obliged to declare embargoes in some cases on all outward traffic, in others only on certain commodities, until the congestion can be relieved by ocean shipments. Besides the great increase in exports to England, France, Russia, and Italy, shipments to Sweden, Norway, Denmark, and Holland have greatly increased, but compared with the first nine months of 1913 exports for the same period of this year to other countries show decreases as follows:

Canada, \$72,630,984; Mexico, \$9,028,297; South America, \$6,710,180.

The following table lists the classes of goods exported in which the largest percentages of increase are shown and the export of which may be considered as due primarily to demands arising out of the war:

Nine months ending with September.

Articles and classes.	1915	1914	Per cent: increase or decrease
Live animals.....	\$96,200,000	\$4,000,000	+2350
Explosives.....	84,300,000	4,300,000	+1930
Wool manufactures.....	25,200,000	3,500,000	+630
Zinc manufactures.....	21,500,000	3,200,000	+570
Brass and manufactures.....	31,800,000	4,000,000	+690
Sugar, refined.....	24,800,000	5,800,000	+420
Automobiles.....	85,600,000	22,700,000	+370
Leather manufactures, other.....	94,600,000	26,700,000	+350
Chemicals and drugs.....	54,200,000	20,200,000	+160
Broadstuffs.....	423,400,000	172,800,000	+140
Boots and shoes.....	29,800,000	12,400,000	+140
Cotton manufactures.....	71,100,000	34,100,000	+100
Masts.....	194,800,000	97,700,000	+90
Carriages.....	18,000,000	9,500,000	+80
Iron and steel manufactures.....	251,100,000	152,800,000	+60
Cotton, raw.....	307,300,000	242,200,000	+20
Oils, mineral.....	106,200,000	108,200,000	-20
Copper and manufactures.....	83,000,000	95,600,000	-120
Naval stores.....	9,300,000	12,200,000	-20
Wood, lumber, and other manufactures.....	40,300,000	65,300,000	-30
Agricultural implements.....	10,400,000	20,600,000	-40
Miscellaneous.....	217,200,000	145,200,000	+40
Total.....	2,532,500,000	1,467,400,000	+70

From February to August, 1914, imports had shown large increases over the same period of 1913. But in every month except one from August, 1914, to August, 1915, there was a decrease of imports when compared with the same month a year earlier. Total imports for the first nine months of the past three years have been as follows: 1913, \$1,327,385,071; 1914, \$1,410,071,874; 1915, \$1,302,281,591.

The following table lists the classes of goods imported which show the largest increases or decreases:

Nine months ending with September.

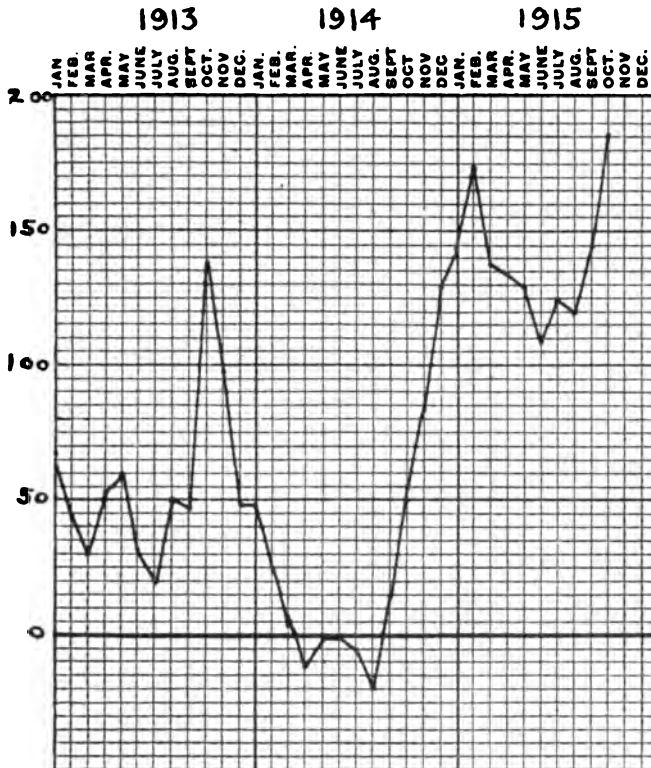
Articles and classes.	1915	1914	Per cent: increase or decrease
Wool manufactures.....	\$13,600,000	\$36,400,000	-60
Broadstuffs.....	14,100,000	25,500,000	-40
Leather and manufactures.....	11,400,000	18,900,000	-30
Meat and dairy products.....	22,100,000	39,700,000	-40
Cotton manufactures.....	30,600,000	48,800,000	-30
Iron and steel manufactures.....	14,800,000	22,900,000	-30
Animals, chiefly cattle.....	13,300,000	17,300,000	-20
Silk, raw.....	61,600,000	72,900,000	-10
Hides and skins.....	90,400,000	93,500,000	-30
Chemicals, drugs, etc.....	65,200,000	61,900,000	+50
Wool, raw.....	68,000,000	53,800,000	+20
Sugar.....	157,400,000	112,000,000	+40
India rubber and substitutes.....	83,400,000	57,800,000	+40
Miscellaneous.....	501,300,000	570,700,000	-10
Total.....	1,302,100,000	1,410,100,000	-80

The balance of trade in favor of the United States for the first nine months of the past three years has been as follows: In 1913, \$406,037,087; 1914, \$57,330,115; 1915, \$1,227,293,504.

In considering this balance there should be remembered the large amount of money that in normal times would be spent abroad by American tourists.

The following chart shows the balance of trade for the years 1913, 1914, and the first nine months of 1915.

Balance of trade (in millions of dollars).



MONEY RATES IN NEW YORK CITY.

In the last week of July, 1914, before the European war, money rates in New York ranged as follows: Call, $1\frac{1}{2}$ to 2 per cent; time loans on collateral, 60 days to 4 months, $\frac{3}{4}$ to $3\frac{1}{2}$ per cent; prime commercial paper, $4\frac{1}{2}$ per cent. Immediately following the outbreak of war, call and time loans ranged from 6 to 8 per cent and commercial paper $\frac{1}{2}$ to $6\frac{1}{2}$ per cent. By the third week of August the ruling rate for call and time money was 8 per cent and commercial paper advanced to $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent. But there was less demand for money and slightly easier conditions in the money market in September brought the range of rates on time and call loans to 6 to 8 per cent with the main volume at 7 per cent.

Early in October there was an improved demand for prime commercial paper, which sold freely at $6\frac{1}{2}$ per cent. By the middle of October the highest rate for call money was 7 per cent and in the latter part of the month the ruling rate for time loans was 6 to 8 per cent; commercial paper, 6 to $7\frac{1}{2}$ per cent.

In November the prospect of the opening of the Federal Reserve Banks and the consequent release of reserves brought further ease in rates. The Comptroller of the Currency made public a list of banks that were charging only 6 per cent. Time money was quoted $5\frac{1}{2}$ to 6 per cent, commercial paper, 6 to 7 per cent. During the second week bankers in New York were reported to be seeking loans and the call rate went as low as $4\frac{1}{2}$ per cent, ranging from that to 6 per cent. Time money declined to $5\frac{1}{2}$ per cent while the best commercial paper found buyers at $5\frac{1}{2}$ per cent.

Light trade demands and absence of speculation caused a steady downward trend of money rates. Up to December 19, New York City banks had retired \$128,581,540 out of a total of \$144,000,000 emergency currency issued to them. Call money ranged from $2\frac{1}{2}$ per cent to 4 per cent, time loans on collateral, $3\frac{1}{2}$ to 4 per cent, and commercial paper, $4\frac{1}{2}$ to 5 per cent.

Notwithstanding the great activity in the stock market which has prevailed during the last nine months of the year call money has ruled throughout the year at from 2 to 2 per cent, and time loans on collateral, $2\frac{1}{2}$ per cent to $3\frac{1}{2}$ per cent. Commercial paper, which in January ruled from 4 per cent to 5 per cent soon broke below 4 per cent, with a substantial volume of sales of the best names at $2\frac{1}{2}$ per cent to $2\frac{3}{4}$ per cent.

Prime bankers' acceptances in January ruled from $2\frac{1}{2}$ per cent to $2\frac{3}{4}$ per cent and declined gradually throughout the year, at the close of which they ruled from 2 per cent to $2\frac{1}{2}$ per cent.

The chart on the following page shows the course by months of the New York rates for call money, time loans, and commercial paper.

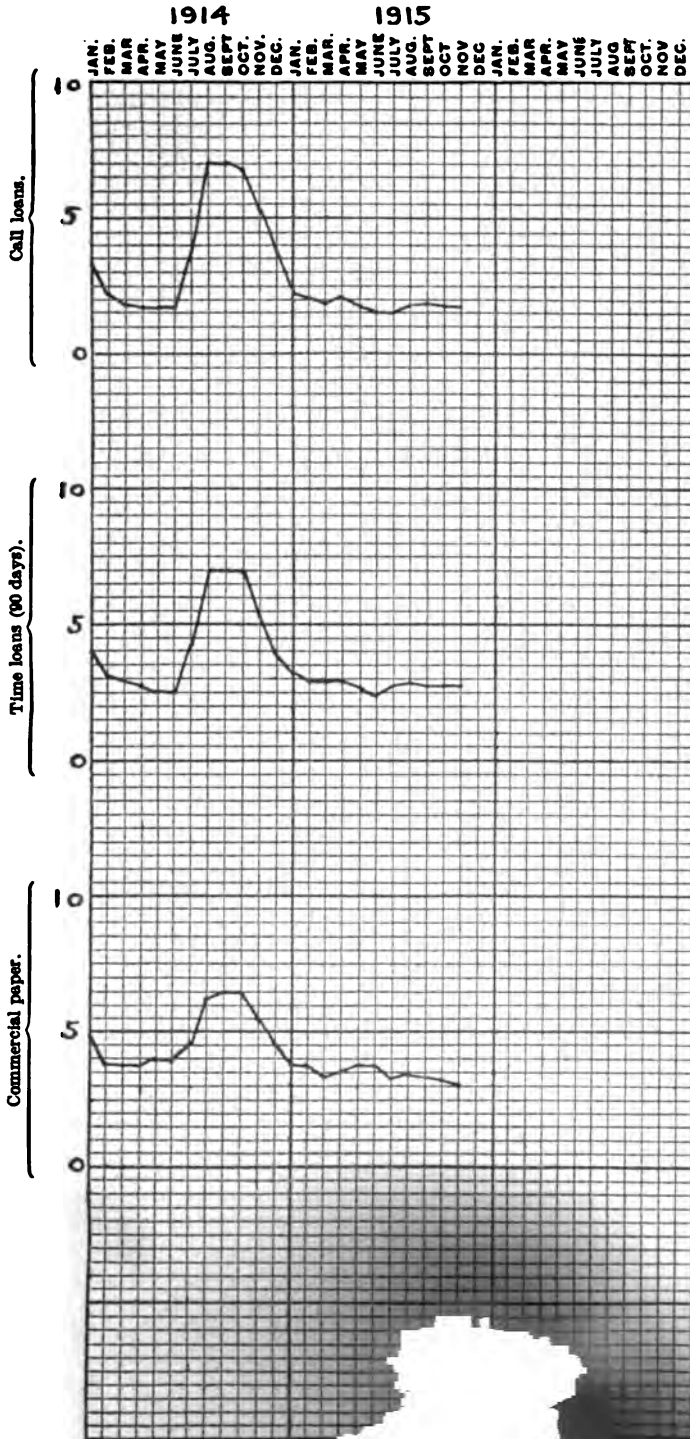
LOANS TO FOREIGN COUNTRIES.

One of the most important developments of the year has been the extension of credits in very large amounts to foreign Governments and to bankers and merchants in foreign countries. Most of these loans have been to enable the borrowers to pay for goods purchased in the United States, thereby steadying the exchanges and enabling them to continue both their ordinary and their extraordinary purchases.

The most important loan was, of course, the Anglo-French loan of \$500,000,000 which was distributed by a large syndicate of bankers formed by Messrs. J. P. Morgan & Co. It matures in 1920, bears interest at 5 per cent, and was taken by the underwriters at 96 $\frac{1}{2}$ and offered to the public at 98. It is the only one of the foreign loans that has been listed on the New York Stock Exchange and is actively dealt in. The other loans were arranged by banks, private bankers, and syndicates, and most of them have not been offered generally to the public.

While a large volume of unreported credits to foreign borrowers has been extended by banks in the course of financing exports, the loans and credits to foreign Governments, municipalities, and banks publicly announced to have been arranged in the United States since the European war began are approximately as follows:

Anglo-French loan.....	\$500,000,000	Switzerland.....	\$15,000,000
British banks.....	50,000,000	Canada.....	45,000,000
Italy.....	25,000,000	Canadian municipalities....	105,000,000
Russia.....	25,000,000	Argentina.....	40,000,000
Russian banks.....	67,000,000	Bolivia.....	1,000,000
France.....	75,000,000	Panama.....	3,000,000
Germany.....	10,000,000	Chile.....	6,500,000
Greece.....	7,000,000		
Sweden.....	5,000,000	Total.....	982,500,000
Norway.....	3,000,000		

Money rates at New York (monthly average).

THE 1915 CROPS.

The 1915 harvest in the United States surpassed any before recorded in both volume and value. The value of the principal farm crops estimated by the Department of Agriculture on the basis of December 1 prices was \$5,568,773,000. This compares with \$4,974,527,000 last year, \$4,966,497,000 in 1913, and \$4,757,478,000 in 1912. Because of the advance in grain prices as the war in Europe progressed, very large areas of grain were planted, the acreage of the principal crops this year aggregating 486,570 square miles. The corn crop was the second largest ever grown and the number of acres planted has been exceeded only once before in this country. The value of the corn crop surpassed the previous most valuable crop ever grown by over \$30,000,000. The wheat crop for the first time was over a billion bushels. New records were made in production by wheat, oats, barley, rye, sweet potatoes, and hay. All the principal crops except barley and tobacco established records, being the most valuable ever grown in this country.

[000 omitted.]

	Acreage.		Total bushels.		Farm value Dec. 1	
	1915	1914	1915	1914	1915	1914
Corn.....	108,321	103,435	3,054,535	2,672,804	\$1,755,859	\$1,722,471
All wheat.....	59,898	53,541	1,011,505	891,017	830,302	673,940
Oats.....	40,780	38,442	1,540,382	1,141,080	555,569	490,111
Barley.....	7,395	7,565	237,000	194,853	122,499	105,461
Rye.....	2,856	2,541	49,190	42,779	41,296	37,420
Buckwheat.....	806	792	15,769	16,581	12,406	12,406
Flaxseed.....	1,367	1,645	13,845	13,749	24,080	17,111
Rice.....	803	694	28,947	23,649	26,212	21,111
Potatoes.....	3,761	3,711	359,103	409,821	221,104	190,111
Hay.....	50,872	49,145	1,85,225	1,70,071	912,320	775,111
Tobacco.....	1,368	1,224	1,060,587	1,034,679	96,041	101,111
Cotton.....	30,957	36,832	11,161	16,135	602,393	526,111
Total.....					5,300,062	4,891,111

1 Tons.

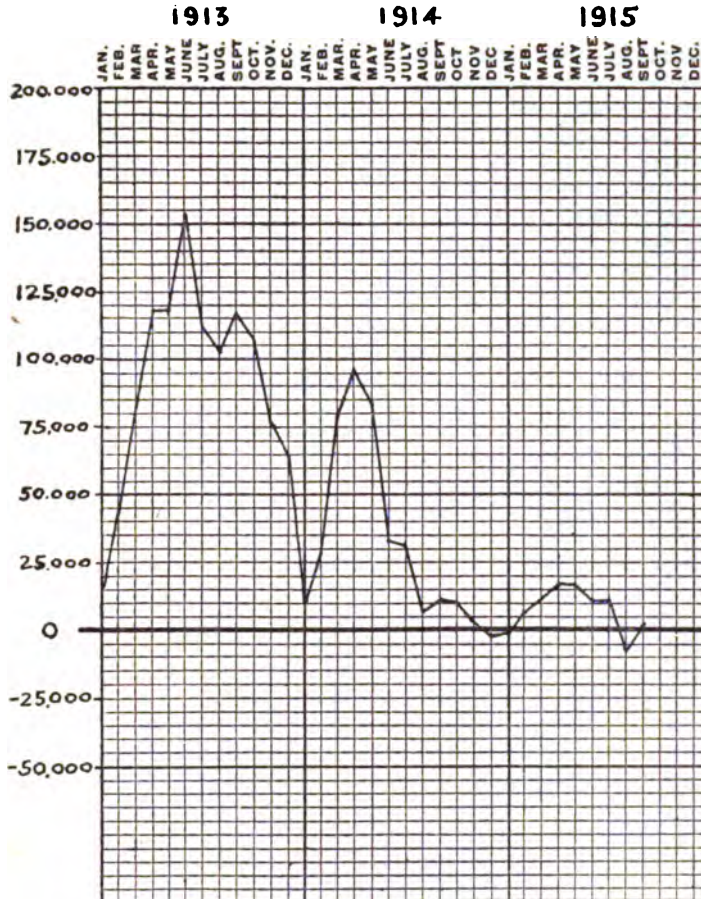
2 Pounds.

3 Bales.

IMMIGRATION AND EMIGRATION.

The effect of the war on immigration and emigration has been very marked. Both arrivals and departures have decreased notably and the effect of the now almost balanced movement can not fail to be felt in the domestic labor market if the present industrial activity continues. For the first nine months the net immigration has been: In 1913, 863,784; in 1914, 384,169; in 1915, 64,485.

The following chart shows the net movement by months during these years.

Net immigration.**FOREIGN BANKING CONDITIONS.**

The outbreak of the war precipitated grave responsibilities upon the great central banks, as well as the private banks, of the principal belligerent nations. Various measures were undertaken to meet the crisis which at once developed, both in credit and in currency.

In England the Government declared various moratoria extending the date of payment of maturing bills. The Bank of England was indemnified against loss in the purchase of bills and under this guaranty it made a practically unlimited offer to take bills which had become unliquid by reason of war conditions. The Government authorized the issue, through the Bank of England, of £1 and 10-shilling notes of the Government to relieve the currency stringency and take the place of sovereigns and half sovereigns which disappeared from circulation. The effect of these measures was instantly felt. By having a vast volume of their securities made liquid English banking firms and institutions were enabled to conduct their customary business. The Bank of England largely increased its deposit liabilities and its investments in bills, and a reduction in both the bank rate and the rates for bills in the open market quickly followed.

In France the note issues of the Bank of France are limited in amount by law. Increases in the limit of the note issue were authorized, enabling the bank to make large advances to the Government and to provide notes for current circulation. To some extent these notes were deposited with various organizations, notably the Chamber of Commerce of Bordeaux, which issued notes of smaller denominations to circulate in place of gold coins, which promptly disappeared from circulation. These measures were subsequently followed by appeals to the people to deposit their gold with the Bank of France, which ultimately brought the gold holdings of the bank to an amount in excess of \$1,000,000,000.

In Germany more extensive measures were taken to meet the situation than in either England or France. Immediate provision was made to enlarge the note issue of the Reichsbank and local credit banks were organized at which solvent borrowers could obtain credit upon both securities and commodities. The Reichsbank was authorized to receive and hold notes issued by certain of these banks on a parity with its gold reserves. Such notes were also issued in small denominations for purposes of circulation. These efforts to maintain the gold reserve of the nation were supplemented by an embargo on the export of gold and by appeals to the people to surrender their gold to the Reichsbank, thereby largely increasing its holdings.

While all these measures have many characteristics in common, provision having been made in both England and France for the extension of date of payment of debts and in all three countries for a wide extension of the power of note issue by the central banks, the means employed in each case were somewhat different. The effect of these operations are clearly reflected in the attached tables showing the changes which have taken place in the statements of the three central banks of these countries. The issue of Government notes in England to supplement the note issues of the Bank of England was accompanied by an accumulation of gold reserve for their redemption; the difference between the gold reserve and the face of the notes being covered by Government securities and balances at the Bank of England.

The striking similarity in the demands made upon the credit systems of all the belligerent nations is equally reflected in these statements. The ability to convert unliquid assets through the agency of a central bank and to furnish the people with convenient and acceptable circulating note for their daily transactions undoubtedly saved these nations and their citizens from enormous losses that otherwise would have been sustained by reason of credit contraction and trade stagnation.

The following tables show the principal assets and liabilities of the three Government banks at intervals during the period:

BANK OF ENGLAND.
[000,000 omitted.]

Date.	Bullion.	Reserve.	Government securities.	Other securities.	Circulation.	Deposits.	Ratio of reserve.
1914.	£.	£.	£.	£.	£.	£.	Per cent.
July 30.....	38	32	11	47	30	67	4.7
Oct. 8.....	57	40	28	114	35	164	5.7
Nov. 19.....	73	56	19	107	35	164	5.7
Dec. 31.....	69	52	15	106	36	155	5.4
1915.							
Feb. 18.....	66	50	25	102	34	158	5.2
Apr. 22.....	56	40	48	144	34	214	4.9
May 27.....	62	47	51	139	30	220	5.1
June 24.....	53	39	51	136	33	206	4.7
July 29.....	61	46	53	191	34	273	4.7
Aug. 26.....	67	54	46	142	32	224	5.2
Sept. 30.....	62	48	37	132	33	192	5.4
Oct. 28.....	56	42	19	97	33	140	5.2
Nov. 25.....	52	38	19	98	33	145	5.1

NOTE.—On Dec. 8, 1915, there were outstanding in addition £94,291,700 currency notes of £1 and 10 shilling denominations, against which a gold reserve of \$23,500,000, or 30.2 per cent, is carried, the balance of the issue being covered by Government securities and a balance at the Bank of England.

BANK OF FRANCE.

[000,000 omitted.]

Date.	Gold.	Silver.	Discounts.	Advances.	Deposits.	Circulation.
1914.	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>
July 30.....	4,141	650	2,448	787	1,330	6,688
1915.						
Feb. 18.....	4,237	875	2,285	830	2,822	10,831
Apr. 22.....	4,191	876	2,709	650	2,350	11,541
May 27.....	3,913	875	2,709	644	2,301	11,529
June 24.....	3,927	871	2,858	629	2,354	12,105
July 29.....	4,129	867	2,426	610	2,600	12,592
Aug. 26.....	4,266	856	2,380	580	2,642	12,949
Sept. 30.....	4,550	854	2,386	579	2,800	13,457
Oct. 28.....	4,729	853	2,338	561	2,684	13,867
Nov. 25.....	4,835	862	2,192	563	2,665	14,278

IMPERIAL BANK OF GERMANY.

[000,000 omitted.]

Date.	Gold.	Loans and discounts.	Circulation.
1914.	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
July 25.....	1,355	801	1,590
Aug. 22.....	1,529	4,616	3,999
Dec. 4.....	1,991	2,968	4,205
1915.			
Feb. 10.....	2,155	3,379	5,046
Apr. 30.....	2,365	3,807	5,311
June 2.....	2,377	4,163	5,318
July 17.....	2,390	4,452	5,311
Oct. 23.....	2,430	3,924	5,675

INDUSTRIAL AND COMMERCIAL CONDITIONS.

The latter half of 1914 was marked by general industrial unsettlement and depression. Securities and many commodities were undergoing liquidation, interest rates were high, credit in demand, and both unemployment and individual and corporate retrenchment were general. The year 1915 has brought a reversal of these conditions, probably unequaled in its swiftness, intensity, and magnitude. The recovery had its inception in easy money, growing export trade, reestablishment of the international exchanges, and the return of confidence. In the autumn of 1914 large foreign orders began to be placed in the United States for munitions and other raw and manufactured goods necessary for the prosecution of the European war and the maintenance of civil populations. These orders created centers of industrial and trade activity and purchasing power, to which unemployed labor gravitated. In other sections the purchasing power was maintained or increased by the sale of large crops at very high prices. From these centers, gradually widening in area and influence throughout the spring and summer, has developed the present general commercial and industrial activity.

The balance of trade, which had been running against the United States for several months preceding the war, soon began to turn in its favor through heavy shipments of grain and other commodities. By January, 1915, the shipment of grain, cotton, copper, live stock, meat, and other raw and manufactured articles had reached a sufficient volume to turn the gold movement also in favor of this country. The increased traffic of the railways and the tremendous demand on the iron and steel industry for the manufacture of munitions caused these two fundamental industries to resume normal purchases. The general retrenchment practiced during the first

six months of the war was relaxed as the effects were felt of better employment of labor, increasing commercial and industrial profits, and the great crops of 1915, marketed at prices well above the normal. Even in the South the intense depression of the winter of 1914-15 was lifted by the sale of the 1915 cotton crop, although of reduced volume, at prices better than anticipated.

Improvement began to manifest itself in nearly all lines of industry about the beginning of the year 1915. By that time a favorable balance of trade had been established; railroad earnings had begun to improve and iron and steel to move in greater volume; bank clearings throughout the country were increasing slightly; unemployment in New York State and the number of commercial failures throughout the country had reached their highest points.

But while the improvement began during the first half of the year, business did not attain its present momentum till toward the end of the summer. Inquiries recently made of leading merchants and manufacturers throughout the country indicate generally that their volume has been much greater during the last than during the first six months of the year, in many cases comparing favorably with other periods of industrial activity. Wages have been substantially increased in industries operating directly or indirectly under the stress of purchases by the belligerent nations. Except in neighboring industries wage increases have not yet become general, although there are signs that demands for higher wages are likely to spread. The reduction of immigration to the lowest point in many years should have a tendency at least to prevent unemployment. The savings banks in many parts of the North Atlantic States report substantial gains, especially during the autumn months. Earnings of public service corporations as a whole have shown increased gross earnings during the last half of the year. The general retail trade of the autumn has been unprecedented in volume. The rise in price of many raw materials, coupled with the rise in wages in certain industries, has increased prices to the consumer and, in some cases, has had the effect of reducing profits. The favorable market for securities has given railroads and industrial enterprises a better opportunity to finance improvements than has prevailed for many years. Except in certain lines, principally those adversely affected by European conditions, the business of the country may be said to be working at capacity nearly everywhere, with many industries handling a volume never before equaled.

Appended to this paragraph are the following charts, showing figures for 1913, 1914 and 1915, and indicating clearly the course of the present industrial revival:

Total bank clearings.

Changes in gross railroad earnings from previous year.

Iron production.

Number of commercial failures.

Unfilled tonnage, United States Steel Corporation.

Percentage of employment in New York State.

Idle car figures.





11

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BANKING AND FINANCIAL CONDITIONS.

The most important banking and financial developments of the period under review are—

1. Reduction of required bank reserves and steady increase of surplus reserves.
2. Great expansion of bank deposits and loans.
3. Large importations of gold.
4. Large loans to foreign countries.
5. Heavy purchases of American securities from foreign countries.

The Comptroller of the Currency in September, 1914, published a calculation that the total National Bank Reserves released by the act on November 16, 1914, would aggregate \$465,000,000. During 1915 several States reduced the reserves required of their State institutions to correspond with the percentages required under the Federal Reserve Act even though they should not join the system and secure its reserve advantages. The Comptroller reports the amount of excess reserves held by the national banks of the country on September 2, 1915, at \$869,000,000.

The net deposits of all national banks rose from \$7,157,000,000 on October 31, 1914, to \$8,323,000,000 on September 2, 1915, an increase of \$1,166,000,000, or 16 per cent. The net deposits of national banks in New York City during the same period increased \$30,000,000, or 43 per cent. Nearly half of the increase was in the New York City national banks, which were called on primarily to finance the country's heavy export trade.

The great expansion in New York is better shown by the figures month by month of the New York clearing-house banks since the day before the Federal Reserve System opened, indicating an increase in deposits of 78 per cent in 13½ months.

ALL NEW YORK CLEARING-HOUSE BANKS.

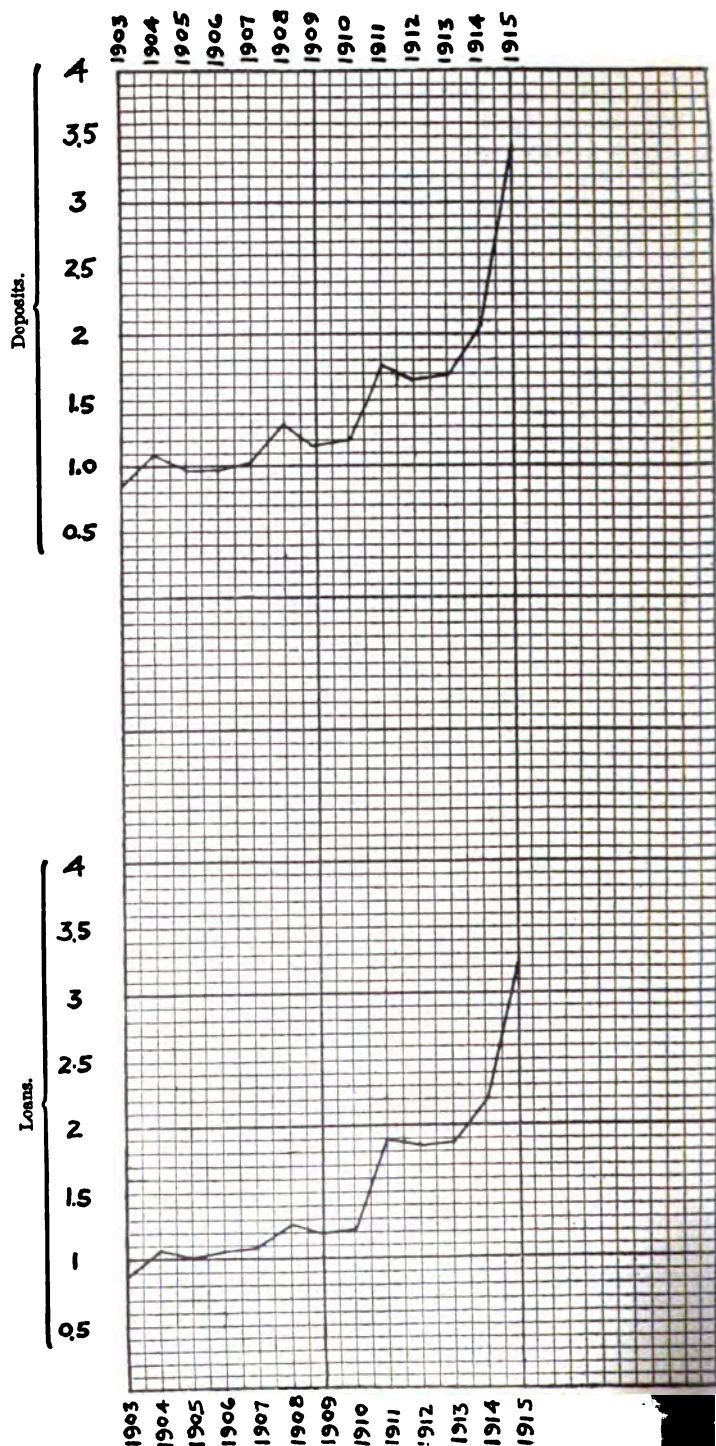
[000,000 omitted.]

Date.	Capital.	Undivided profits.	Gold.	Legal tenders.	Silver.	Balance, Federal Reserve Bank.	National bank notes.	Federal Reserve notes.	Loans, etc.	Net deposits.	Excess reserves.
1914.											
Nov. 14.....	175	300	340	102	69	98	18	1	2,133	1,925	7
Dec. 26.....	175	300	191	59			14	1	2,179	2,074	117
1915.											
Jan. 30.....	175	298	209	69	84	108	15	1	2,233	2,213	114
Feb. 27.....	175	298	215	66	75	113	9	1	2,298	2,268	135
Mar. 27.....	175	292	239	66	88	115	10	1	2,385	2,386	150
Apr. 24.....	175	304	263	66	82	121	9	1	2,400	2,432	171
May 29.....	175	304	291	65	76	117	8	2	2,437	2,400	183
June 26.....	175	304	324	55	71	131	9	2	2,476	2,583	198
July 31.....	176	309	295	70	78	133	9	2	2,578	2,695	180
Aug. 28.....	176	309	336	70	78	141	8	2	2,565	2,810	205
Sept. 25.....	177	306	360	67	72	144	8	3	2,766	2,951	198
Oct. 30.....	179	307	399	56	66	164	7	3	3,044	3,270	196
Nov. 27.....	176	310	398	49	81	165	8	3	3,123	3,364	194
Dec. 31.....	176	312	335	71	79	165	8	4	3,257	3,462	146

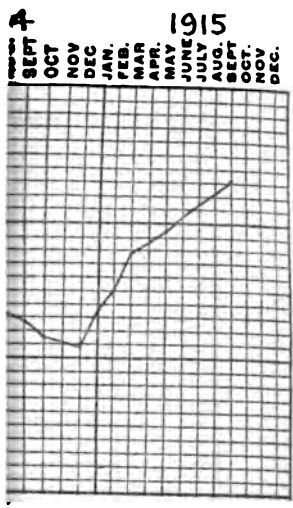
¹ Specie.

The following chart shows the increase in loans and deposits of New York clearing-house banks by years since 1903. The increase in 1911 is caused by trust companies joining the clearing house. An expansion has occurred in one year which normally would have been spread over nearly a decade.

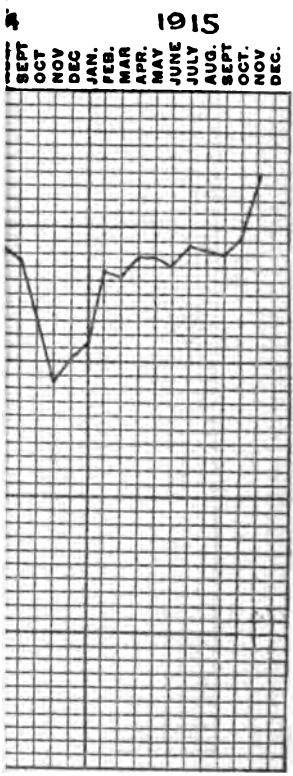
Deposits and loans of New York clearing-house banks (in billions of dollars).



2 banks (in billions of dollars).



bet's Index). (In dollars.)



the conditions suddenly forced upon them at the outbreak of the war, now that it can be seen in some perspective, should be studied during the coming year by the officers and directors of Federal Reserve Banks. A clear understanding should be obtained of the methods by which demoralization of credit was effectually met by the European countries and of the methods which, under conditions peculiar to the United States, would be likely to prove effective in maintaining its credit machinery in any strain which might grow out of the European war or other international complications. The lessons are now both clear and fresh; we should not fail to learn them and understand their application to our own conditions.

This report would not be complete without suitable recognition and acknowledgment of the work of both the temporary and permanent staffs of the bank. Those who were temporarily employed performed their duties in the spirit of public service. The members of the permanent staff, likewise, from the outset have worked without regard to office hours and through the energy and devotion with which they have undertaken the tasks assigned them the functions of the bank been developed upon a sound and permanent basis.

APPENDIX 1.—BY-LAWS OF THE FEDERAL RESERVE BANK OF NEW YORK.

ARTICLE I.—*Directors.*

SECTION 1. Quorum.—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. Vacancies.—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. Meetings.—(Amended July 7, 1915.) There shall be a regular meeting of the board every Wednesday at 9.45 o'clock a. m., or, if that day be a holiday, on such day as the board may determine at a preceding meeting (unless otherwise ordered by a majority of the board). The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of special meetings shall be given by mail or by telegraph. If given by mail, such notice shall be mailed at least two days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least 24 hours before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing or by telegraph waive such notice.

SEC. 4. Powers.—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. Special committees.—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. Order of business.—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. How constituted.—There shall be an executive committee consisting of the governor, the chairman, and one or more directors chosen by the board, who shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes or a digest thereof shall be read to the meeting if requested by any member of the board.

CHAPTER V.—SUMMARY OF RESULTS OF OPERATION.

What has thus far been accomplished by the Federal Reserve Bank of New York may perhaps be briefly summarized.

The bank has been thoroughly organized, with a staff of officers and clerks experienced in the work of the particular departments to which they have been assigned. The organization is more complete than the business actually done would seem to require since it has been felt essential by the directors and officers that a complete departmental organization should be maintained, capable, with the addition of necessary clerical assistance, of performing any volume of business which might be suddenly thrust upon it.

The bank was opened and the reserve transfer accomplished without any of the disturbances which it was predicted would occur.

Valuable experience has been gained of the meaning and effect of the regulation of the Federal Reserve Board governing the development of the various functions of reserve banks, which has in turn been transmitted to the member banks.

Considerable effort has been expended in explaining to member banks the purpose and meaning of the Federal Reserve System and the ways in which the bank can be of service to them in quiet as well as in active times. The business community has also had an opportunity to become informed of its development and functions. The officers have also devoted the necessary time to furnishing information to the press in order that the public might be correctly informed of the operations of the bank, and the generally favorable attitude of the press has been an important factor in establishing public confidence in the system.

Federal Reserve Notes have been issued freely and become already an important part of our currency, and through their use the bank has greatly strengthened its gold position and its credit power.

The establishment of a market for bankers' acceptances has been assisted by the purchases made by this bank for itself and other reserve banks, and the study given to the drawing and indorsement of such bills has made more certain their ready negotiability.

Through experience gained in discounting paper for member banks, an understanding has been reached by both this bank and its member banks of the kind of paper which is eligible for discount.

Through its collection system an important step has been taken toward effecting cheaper and more direct check collections.

A gold settlement fund has been established at Washington for settlements between Federal Reserve Banks and their districts which should substantially reduce currency shipments.

On January 1, 1916, the bank will begin acting as fiscal agent of the United States.

A satisfactory trial has been made of the new form of Government supervision requiring one-third of the directors of the bank to be appointed by the Reserve Board and to exercise primary responsibility for all the policies and transactions of the bank.

The coordination of the work of the reserve banks by the Reserve Board has been supplemented by conferences of their governors and of groups of other officers, and the development of the system is progressing along such harmonious lines as local conditions and requirements will permit.

During this period of relative operating inactivity the officers and directors of the reserve banks have had an opportunity to study the Act. Its ambiguities have come to light and suggestions for amendments which seem desirable have been made to the Reserve Board through whom they may if approved be transmitted to Congress.

The system has been enabled quietly to develop most of its important functions and to gather not only experience but strength to respond to such calls as may be thrust upon it. The experience of the principal European countries in dealing with

the conditions suddenly forced upon them at the outbreak of the war, now that it can be seen in some perspective, should be studied during the coming year by the officers and directors of Federal Reserve Banks. A clear understanding should be obtained of the methods by which demoralization of credit was effectually met by the European countries and of the methods which, under conditions peculiar to the United States, would be likely to prove effective in maintaining its credit machinery in any strain which might grow out of the European war or other international complications. The lessons are now both clear and fresh; we should not fail to learn them and understand their application to our own conditions.

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SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the chairman, and one or more directors chosen by the board, who shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes or a digest thereof shall be read to the meeting if requested by any member of the board.

APPENDIX 3.—PROFIT AND LOSS STATEMENT.

Nov. 16, 1914, to Dec. 31, 1915.

Income.		Current expense.	
Bills discounted—Members.....	\$36,840.98	Directors' fees, outside conferences, and Federal Advisory Council.....	\$18,240.72
Acceptances purchased.....	97,054.10	Salaries.....	154,043.05
Investments—Warrants.....	191,868.68	Rent.....	42,749.95
Sundry profits.....	19,271.57	General expense.....	44,472.23
Excess of expenses over income carried to profit and loss.....	111.22	Cost of Federal Reserve notes used.....	63,800.00
		Assessment for expenses of Federal Reserve Board.....	21,840.80
Total.....	345,146.55	Total.....	345,146.55

Statement of organization expenses, Dec. 31, 1915, carried in assets.

Assessment for expenses of Federal Reserve Board.....	\$41,367.72
Expense of organization—Local.....	80,967.20
Furniture and equipment.....	26,980.26
Cost of unissued Federal Reserve notes.....	232,066.79
Total.....	381,402.16

APPENDIX 4.—COMPARATIVE STATEMENTS OF CONDITION.

	Nov. 16, 1914.	June 30, 1915.	Dec. 31, 1915.
RESOURCES.			
Bills discounted—Members.....	\$2,213,500.00	\$543,404.99	\$236,472.08
Bills discounted—Bought.....		4,664,859.76	9,546,011.06
Investments and accrued interest.....		3,607,484.16	1,206,733.90
Due from member banks, overdrafts.....			28,820.51
Due from other Federal Reserve Banks.....		5,565,320.74	1,932,512.64
Furniture and equipment.....			26,980.36
Expense of organization.....	13,401.02	186,467.38	122,335.04
Cost of Unissued Federal Reserve notes.....			232,066.79
Expenses paid in advance.....			3,965.73
Amounts awaiting reimbursement.....		1,613.60	2,346.40
Federal Reserve notes on hand.....		3,531,475.00	16,139,290.00
National Bank notes and Federal Reserve notes of other Federal Reserve Banks.....		52,122.54	41,250.94
Exchanges and other cash items.....	51.20	1,480,378.25	987,566.35
Gold.....	81,533,715.00	120,098,607.50	174,845,827.50
Lawful money.....	21,399,854.00	31,247,079.90	5,976,067.40
Profit and loss.....			111.22
Total.....	105,160,521.22	171,068,822.82	211,328,387.94
LIABILITIES.			
Capital paid in.....	3,321,950.00	9,961,650.00	11,063,150.00
Profit and loss.....		43,064.21	
Unearned discount and interest.....	8,368.81	15,718.44	31,520.01
Due to member banks.....	101,816,801.29	141,929,512.72	179,433,322.18
Due to other Federal Reserve Banks.....		18,294,279.06	19,818,568.15
Cashiers' checks.....	13,401.12	644,353.43	841,219.44
Federal Reserve notes.....		180,000.00	140,000.00
Withheld for Federal income tax.....		244.96	608.15
Total.....	105,160,521.22	171,068,822.82	211,328,387.94
Net deposits.....	101,830,151.21	153,822,437.74	197,144,210.28
Per cent cash to net deposits.....	101.08	98.3	91.6

APPENDIX 5.—CAPITAL ACCOUNT RECONCILIATION, NOV. 2, 1914, TO DEC. 31, 1915.

Capital paid in first installment, Nov. 2, 1914.....	\$3,321,950.00
Capital paid in second installment Feb. 2, 1915.....	3,318,183.35
Capital paid in third installment May 3, 1915.....	3,317,549.98
Capital paid in by 131 banks in northern New Jersey transferred from District No. 3; first, second, and third installments.....	962,650.00
	<u>10,920,333.33</u>
Sundry increases:	
Due to increases in capital and surplus of member banks.....	\$44,150.00
Due to organization of new banks.....	221,650.00
	<u>265,800.00</u>
	11,186,133.33
Sundry decreases:	
Due to decreases in capital and surplus of member banks.....	4,983.33
Due to banks liquidated.....	118,000.00
	<u>122,983.33</u>
Capital paid in Dec. 31, 1915, by member banks.....	11,063,150.00

APPENDIX 6.—REDISCOUNTS.

Nov. 16, 1914, to Dec. 31, 1915.

Number of applications received.....	277
Amount of applications received.....	\$11,384,037.63
Amount of applications accepted.....	\$10,746,610.61
Amount of applications rejected.....	\$637,427.02
Largest application.....	\$2,182,500.00
Smallest application.....	\$1,015.00
Number of pieces of paper discounted.....	2,676
Amount discounted.....	\$9,668,632.41
Largest piece of paper.....	\$300,000.00
Smallest piece of paper.....	\$20.20
Average size of note discounted.....	\$3,613.09
Number of banks rediscounting.....	54

Number of pieces of paper and amount discounted, by months.

	Num- ber.	Amount.		Num- ber.	Amount.
November, 1914.....	209	\$3,112,900.73	July.....	259	\$333,949.18
December.....	206	1,736,182.81	August.....	124	157,026.34
January, 1915.....	139	1,642,303.85	September.....	211	286,208.77
February.....	184	1,046,307.55	October.....	107	137,183.62
March.....	167	190,652.27	November.....	64	152,330.23
April.....	241	216,449.17	December.....	132	131,661.74
May.....	207	235,957.67			
June.....	426	289,518.48	Total.....	2,676	9,668,632.41

APPENDIX 7.—MATURITIES OF INVESTMENTS OF FEDERAL RESERVE BANK OF NEW YORK, DEC. 31, 1915.

Maturing.	Bills discounted.	Warrants.	Acceptances.	Totals.
Within—				
10 days.....	\$37,980.87	\$98,791.24	\$763,548.53	\$900,320.64
11 to 30 days.....	97,150.20	188,193.77	1,961,806.07	2,247,150.04
31 to 60 days.....	32,422.58	384,373.97	1,870,083.25	2,336,879.80
61 to 90 days.....	18,918.43	60,277.00	4,950,573.21	5,069,768.64
91 days to 6 months.....		436,950.00		436,950.00
Total.....	236,472.08	1,198,585.98	9,546,011.06	10,981,069.12

APPENDIX 8.—FEDERAL RESERVE NOTES.

Federal reserve notes issued to Federal Reserve Agent, Nov. 16, 1914, to Dec. 31, 1915.

Total amount of notes shipped to the Federal Reserve Agent.....	\$106,240,000
Total net amount issued to the bank by the Federal Reserve Agent.....	89,440,000
In the following denominations:	
Fives.....	\$35,600,000
Tens.....	26,100,000
Twenties.....	11,280,000
Fifties.....	1,600,000
Hundreds.....	4,800,000

Total amount in hands of Federal Reserve Agent Dec. 31, 1915	16,800,000
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Total of Federal reserve notes paid out by the Federal Reserve Bank of New York, by months.

	To member banks.	To non-member banks.		To member banks.	To non-member banks.
1914			1915		
November.....	\$785,500		October.....	\$9,897,000	\$857,000
December.....	2,933,600		November.....	2,878,500	771,000
			December.....	13,236,000	1,291,000
1915					
January.....	3,365,800			91,061,200	5,072,000
February.....	3,393,000		Total to nonmember banks.	5,072,000	
March.....	6,605,000				
April.....	6,453,500			96,133,200	
May.....	5,090,000	\$291,000	Total amount received from		
June.....	7,487,000	433,000	Federal Reserve Agent...	89,440,000	
July.....	6,864,500	442,000			
August.....	6,394,000	452,000		6,683,200	
September.....	8,078,000	735,000			

The difference between the amount paid out and the amount received from the Federal Reserve Agent represents notes which were deposited but were sufficiently clean to be again paid out.

Movement of Federal reserve notes between Federal Reserve Bank of New York and other Federal Reserve Banks, Nov. 16, 1914, to Dec. 31, 1915.

	Notes of Federal Reserve Bank of New York received from.	Their notes shipped to.		Notes of Federal Reserve Bank of New York received from.	Their notes shipped to.
Atlanta.....	\$82,285	\$688,435	Philadelphia.....	\$1,324,615	\$330,590
Boston.....	924,655	240,420	Richmond.....	42,810	1,539,935
Chicago.....	212,200	81,215	St. Louis.....	72,555	55,780
Cleveland.....	22,530	246,355	San Francisco.....	108,735	190,490
Dallas.....	8,505	327,650			
Kansas City.....	4,470	130,695	Total.....	2,806,245	3,946,190
Minneapolis.....	2,885	114,625			

APPENDIX 9.—TRANSIT AND EXCHANGE TRANSACTIONS BETWEEN FEDERAL RESERVE BANK OF NEW YORK AND OTHER FEDERAL RESERVE BANKS, NOV. 16, 1914, TO DEC. 31, 1915.

	Items deposited with Federal Reserve Bank of New York by.	Items sent by Federal Reserve Bank of New York to.		Items deposited with Federal Reserve Bank of New York by.	Items sent by Federal Reserve Bank of New York to.
Atlanta.....	\$55,353,000	\$42,966,000	Philadelphia.....	\$233,244,000	\$83,733,000
Boston.....	112,818,000	100,108,000	Richmond.....	58,693,000	74,221,000
Chicago.....	143,797,000	43,192,000	St. Louis.....	49,085,000	23,307,000
Cleveland.....	18,126,000	2,966,000	San Francisco.....	43,799,000	12,777,000
Dallas.....	44,286,000	25,968,000			
Kansas City.....	28,074,000	22,854,000	Total.....	796,092,000	434,890,000
Minneapolis.....	7,817,000	2,798,000			

APPENDIX 10.—SUMMARY OF GOLD SETTLEMENT FUND OPERATIONS, MAY 19, 1915,
TO DEC. 31, 1915.*Settlement of accounts.*

	Amount received in settlement of accounts due from other Federal Re- serve Banks.	Amount paid in settlement of accounts due to other Federal Re- serve Banks.	Net gain.	Net loss.
Boston.....	\$74,357,000	\$73,779,000	\$578,000	
Philadelphia.....	29,676,000	49,247,000		\$19,571,000
Cleveland.....	1,589,000	5,692,000		4,103,000
Richmond.....	60,460,000	46,069,000	14,391,000	
Atlanta.....	17,485,000	24,023,000		6,538,000
Chicago.....	15,739,000	32,036,000		16,297,000
St. Louis.....	10,719,000	27,072,000		16,353,000
Minneapolis.....	2,377,000	4,939,000		2,562,000
Kansas City.....	13,006,000	18,314,000		5,308,000
Dallas.....	8,652,000	13,667,000		5,015,000
San Francisco.....	2,017,000	25,519,000		23,502,000
Total.....	238,077,000	320,357,000	14,969,000	99,249,000
Loss.....	84,280,000		84,280,000	

Analysis of gold movement through gold settlement fund.

Deposited out of vault of Federal Reserve Bank of New York.....	\$30,000,000	Settlement loss.....	\$84,280,000
Special deposits account Federal Reserve Bank of New York by Federal Reserve Bank of—		Special deposits by Federal Reserve Bank of New York, account Federal Reserve Bank of—	
Atlanta.....	463,000	Boston.....	1,000,000
Cleveland.....	952,000	Kansas City.....	100,000
Chicago.....	264,000	Philadelphia.....	13,121,000
Kansas City.....	400,000	San Francisco.....	5,000
Minneapolis.....	433,000	Balance in fund Dec. 31, 1915.....	5,717,000
Philadelphia.....	1,000,000		
St. Louis.....	87,000		
San Francisco.....	11,624,000		
Total.....	104,223,000	Total.....	104,223,000

APPENDIX 11.—FIDUCIARY POWERS.

Banks granted permission to act as registrar of stocks and bonds.

NEW YORK.

Location.	Name.	Location.	Name.
Albany.....	National Commercial Bank.	New York.....	Chase National Bank.
Auburn.....	National Bank of Auburn.	Do.....	Gotham National Bank.
Brooklyn.....	Nassau National Bank.	Do.....	Harriman National Bank.
Clayton.....	National Exchange Bank.	Do.....	Liberty National Bank.
Cooperstown.....	Second National Bank.	Do.....	Irving National Bank.
Edwards.....	Edwards National Bank.	Do.....	Lincoln National Bank.
Far Rockaway.....	National Bank of Far Rockaway.	Do.....	National Bank of Commerce.
Geneva.....	First National Bank.	Do.....	National Park Bank.
Do.....	Geneva National Bank.	Do.....	Seaboard National Bank.
Granville.....	Farmers National Bank.	Ovid.....	First National Bank.
Do.....	Washington County National Bank.	Plattsburg.....	City National Bank.
Hempstead.....	First National Bank.	Do.....	Plattsburg National Bank.
Herkimer.....	Herkimer National Bank.	Richfield Springs..	First National Bank.
Lockport.....	National Exchange Bank.	Riverhead.....	Suffolk County National Bank.
Mineola.....	First National Bank.	Rochester.....	Lincoln National Bank.
Morristown.....	Frontier National Bank.	Saratoga Springs...	First National Bank.
New York.....	American Exchange National Bank.	Stapleton.....	Richmond Borough National Bank.
Do.....	Bank of New York, N. B. A.	Wellsville.....	First National Bank.
Do.....	Bronx National Bank.	Westfield.....	National Bank of Westfield.

Banks granted permission to act as trustee, executor, administrator, and registrar of stocks and bonds.

NEW JERSEY.

Location.	Name.	Location.	Name.
Dover.....	National Union Bank.	Newark.....	National State Bank.
Hoboken.....	First National Bank.	New Brunswick...	Peoples National Bank.
Long Branch.....	Do.	Plainfield.....	City National Bank.
Newark.....	Essex County National Bank.	Rutherford.....	Rutherford National Bank.
Do.....	Merchants National Bank.		

Banks granted permission to act as trustee, executor, and administrator.

NEW JERSEY.

Location.	Name.
Morristown.....	National Iron Bank.
Newark.....	National Newark Banking Co.
Somerville.....	First National Bank.

APPENDIX 12.—AGGREGATE STATISTICS OF SEVEN GROUPS OF NATIONAL BANKS IN DISTRICT NO. 2, AS OF NOV. 10, 1915.

Assets and liabilities.

Group No.	On basis of resources.	Number of banks.	Total resources.	Loans and discounts.	Eligible paper.	Liabilities of directors.	
						Direct.	Indirect.
1	Under \$100,000.....	3	\$182,539	\$85,216	\$36,677	\$28,679	\$16,671
2	\$100,000 to \$200,000.....	33	5,359,181	2,584,830	1,037,600	159,353	354,157
3	\$200,000 to \$300,000.....	62	15,791,538	7,581,105	2,618,421	400,208	712,969
4	\$300,000 to \$500,000.....	106	41,112,035	20,756,179	5,855,600	1,131,064	1,712,727
5	\$500,000 to \$2,500,000.....	304	278,980,542	123,347,319	35,768,051	7,170,748	7,418,169
6	\$2,500,000 to \$20,000,000.....	80	487,125,845	258,106,583	79,803,305	11,370,954	8,614,372
7	\$20,000,000 up.....	25	2,908,573,769	1,614,363,722	289,076,206	27,312,153	14,809,025
	Total.....	613	3,737,135,449	2,026,824,924	414,194,860	47,568,159	28,647,090

Group No.	On basis of resources.	Number of banks.	Bonds and securities, etc., not including United States bonds.	Capital, surplus, and undivided profits.	Demand deposits.	Time deposits.	Money borrowed.
1	Under \$100,000.....	3	\$20,312	\$30,354	\$94,010	\$9,207	.....
2	\$100,000 to \$200,000.....	33	974,388	1,123,837	2,363,143	687,241	\$37,000
3	\$200,000 to \$300,000.....	62	3,308,409	3,165,144	8,395,819	2,472,528	119,500
4	\$300,000 to \$500,000.....	106	9,850,529	8,158,493	21,617,453	8,064,009	174,020
5	\$500,000 to \$2,500,000.....	304	68,311,381	51,175,794	138,621,233	60,298,666	882,421
6	\$2,500,000 to \$20,000,000.....	80	82,287,231	77,749,216	841,981,215	43,396,058	870,965
7	\$20,000,000 up.....	25	292,037,133	305,188,995	2,469,933,061	26,094,037	.....
	Total.....	613	426,789,383	446,646,833	2,983,478,934	141,043,766	2,083,926

Losses, earnings, and dividends.

Group No.	On basis of resources.	Number of banks.	Losses on account of loans to nondepositors (bought for investment).			Losses on account of other loans and discounts, not including loans to banks.		
			1912	1913	1914	1912	1913	1914
1	Under \$100,000.....	3						
2	\$100,000 to \$200,000.....	33	\$4,806	\$4,887	\$1,786	\$5,775	\$9,871	\$3,637
3	\$200,000 to \$300,000.....	62	11,642	10,830	39,256	6,632	10,765	29,219
4	\$300,000 to \$500,000.....	106	31,346	43,864	74,703	35,617	58,852	29,392
5	\$500,000 to \$2,500,000.....	304	263,101	388,833	525,826	207,577	334,432	426,769
6	\$2,500,000 to \$20,000,000.....	80	97,026	143,647	220,445	1,459,555	1,372,253	1,392,727
7	\$20,000,000 up.....	25	174,600	273,903	451,500	1,772,799	3,022,992	4,098,812
	Total.....	613	582,181	865,964	1,313,516	3,487,955	4,809,205	6,018,685

Group No.	On basis of resources.	Number of banks.	Total earnings and profits after deducting expenses and losses.			Gross receipts from exchange.		
			1912	1913	1914	1912	1913	1914
1	Under \$100,000.....	3						
2	\$100,000 to \$200,000.....	33	\$46,397	\$55,181	\$62,607	\$12,704	\$13,433	\$13,125
3	\$200,000 to \$300,000.....	62	184,122	207,044	182,882	25,452	28,289	31,347
4	\$300,000 to \$500,000.....	106	585,323	505,459	489,519	59,008	60,315	60,060
5	\$500,000 to \$2,500,000.....	304	3,608,031	3,380,844	2,835,221	231,841	234,508	232,395
6	\$2,500,000 to \$20,000,000.....	80	5,670,043	4,964,948	4,210,516	346,111	300,466	270,906
7	\$20,000,000 up.....	25	23,171,852	20,655,184	19,473,175	473,295	417,006	406,350
	Total.....	613	33,265,768	29,768,660	27,253,920	1,148,411	1,054,017	1,014,183

Group No.	On basis of resources.	Number of banks.	Dividends paid.		
			1912	1913	1914
1	Under \$100,000.....	3			
2	\$100,000 to \$200,000.....	33	\$14,900	\$17,150	\$18,400
3	\$200,000 to \$300,000.....	62	72,640	76,804	94,721
4	\$300,000 to \$500,000.....	106	269,350	283,150	294,850
5	\$500,000 to \$2,500,000.....	304	2,069,938	2,094,598	2,152,338
6	\$2,500,000 to \$20,000,000.....	80	3,735,524	3,744,524	3,912,947
7	\$20,000,000 up.....	25	14,343,311	14,308,421	15,311,442
	Total.....	613	20,535,663	20,522,647	21,784,698

DISTRICT NO. 3—PHILADELPHIA.

R. L. AUSTIN, Chairman and Federal Reserve Agent.

ORGANIZATION OF FEDERAL RESERVE BANK OF PHILADELPHIA.

In accordance with the instructions of the Federal Reserve Board, the directors of the Federal Reserve Bank met at Philadelphia on October 8, 1914, and proceeded to organize the board. Charles J. Rhoads was elected governor, and the terms of the directors were designated as follows:

Name.	Residence.	Term expires.	Group.	Class.
Charles J. Rhoads.....	Philadelphia, Pa.....	Dec. 31, 1917	1	A.
William H. Peck ¹	Scranton, Pa.....	Dec. 31, 1915	2	A.
M. J. Murphy.....	do.....	Dec. 31, 1916	3	A.
Alba B. Johnson.....	Philadelphia, Pa.....	do.....	1	B.
Edwin S. Stuart.....	do.....	Dec. 31, 1917	2	B.
George W. F. Gaunt ¹	Mullica Hill, N. J.....	Dec. 31, 1915	3	B.
Richard L. Austin.....	Philadelphia, Pa.....	Dec. 31, 1917	1	C.
George M. La Monte.....	Bound Brook, N. J.....	Dec. 31, 1915	2	C.
George W. Norris.....	Philadelphia, Pa.....	Dec. 31, 1916	3	C.

¹ Has just been reelected to serve the full 3-year term, expiring Dec. 31, 1918.

Temporary offices were secured at No. 437 Chestnut Street, where the business of the bank was conducted until permanent quarters were obtained at 406-408 Chestnut Street. Previous to the opening of the bank a clerical force was selected, and the payments by our member banks of the first installment of capital stock, amounting to \$2,087,426, were received. The Central National Bank kindly extended the use of its facilities to the bank in counting and storing the gold as received on account of this payment.

We were fortunate in being able to secure as permanent quarters a building adjacent to the Subtreasury, formerly occupied by a bank. This building was completely renovated and altered in 10 days, and was ready for occupancy on the 16th day of November, 1914, the day designated for the opening for business of the Federal Reserve Banks. The bank commenced business with the following staff of officers and employees, all of whom are on the pay roll now:

OFFICERS.

Charles J. Rhoads, Governor.

Richard L. Austin, Federal Reserve Agent and chairman of the board.

George M. LaMonte, Deputy Federal Reserve Agent and Deputy Chairman of the Board.

Arthur E. Post, secretary to the chairman and acting cashier.

EMPLOYEES.

William I. Rutter, jr., auditor.	Marie V. Patterson.
Samuel R. Earl, paying teller.	Sara G. Peoples.
William H. Coster, discount clerk.	Frederick W. Seelig.
J. Edward Kerr, general ledger book-keeper.	Raymond M. Moore.
Frank W. Lamping, jr., receiving teller.	Irwin L. Park.
Franklin W. La Bold.	William J. Kelly.
John F. Glenn.	John McIlvaine.
Clarence E. Wolfinger.	W. E. Jones.
Joseph D. Goodman.	Herman Graf.
Hannah C. Daly.	Emil Rohr.
Blanche M. Vanaman.	William Theurer.
Cora M. Crowell.	Beverly Becks.

On December 10, 1914, Frank M. Hardt, an officer of the National Bank of the Northern Liberties, of Philadelphia, was elected cashier and Mr. Post resigned as acting cashier, but continued as secretary to the Chairman, in charge of the details of the operations between this bank and the Federal Reserve Board.

In order to properly handle the large payments made to the bank on account of the transfer of the first installment of reserves of member banks, the force was temporarily augmented by clerks whose services were kindly provided for several days by the following institutions: Central National Bank, Fourth Street National Bank, Girard National Bank, Philadelphia Clearing House Association, Philadelphia Trust Co., and the Remington Typewriter Co.

The employment of the clerical force and the perfection of the bank organization were under the direct supervision of Gov. Rhoads. The very satisfactory manner in which the operations of the bank have been conducted testify to the care with which the members of the staff were selected and the complete organization effected by him.

GENERAL BANKING AND CREDIT CONDITIONS IN THIS DISTRICT SINCE THE OPENING OF THE BANK.

The Philadelphia district, designated as Federal Reserve District No. 3, included New Jersey, Delaware, and all of Pennsylvania east of the western boundaries of McKean, Elk, Clearfield, Cambria, and Bedford Counties, and contained 758 member banks. On July 1, 1915, the northern half of New Jersey, including the part of the State north of Mercer and Ocean Counties, containing 131 member banks, was transferred to the New York district. This reduced the number of our member banks to 627, the subscribed capital of the bank to \$10,523,500, the paid-in capital to \$5,261,750, and deposits to \$18,410,520. The district now comprises an area of 37,198 square miles, with an estimated population of 6,560,000. Its agricultural interests are important and its manufacturing and mining industries are second to none. Its credit demands are fairly constant, there being no great seasonal demand, such as is experienced throughout the Southern and Western States. The combined resources of the member banks in this district are \$1,055,107,691, the combined resources of the trust companies and State banks are \$695,198,982, making the combined total banking resources of the district \$1,750,306,673. Based upon the present deposits of our member banks, when the total reserves of member banks have been transferred, two years hence, the reserve deposits of this bank will amount to about \$43,577,965. During the year three new banks have been organized in the district.

During the past year our member banks have been subject to the same discouraging influences that affected banking interests in all other parts of the country. For some time before the breaking out of the European war, business in this district had been

declining, and the effect of the war was to accelerate this movement, so that the bank commenced business at a time when the volume of business in the district was far below normal.

Industrial plants were being operated at less than 50 per cent of their capacity, the movement of freight by the railroads was smaller than it had been for years, and the number of the unemployed was almost unprecedented. Confidence in the future on the part of business men was lacking. This general and widespread contraction in business caused a liquidation of loans, which, together with the funds released by the reduction in bank reserves, effected by the Federal Reserve Act, resulted in the greatest accumulation of idle money ever known in the banks of this district, so that on October 4, 1915, the member banks of the Philadelphia Clearing House Association alone had \$55,404,000 of excess reserves.

At this time, however, almost a normal volume of business is being transacted, the traffic of the railroads is above normal, industrial plants are being operated at nearly full capacity, and there is employment for all kinds of labor.

During the period in which this bank has been in operation the average borrowing of national banks, through rediscounting or by direct loans from other banks, has been as follows:

Date.	Number of banks.	Total amount for district.	Average amount per bank.
Dec. 31, 1914.....	758	\$7,464,097	\$9,847
Mar. 4, 1915.....	759	4,933,873	6,501
May 1, 1915.....	759	5,281,096	6,959
June 23, 1915.....	758	5,372,346	7,087
Sept. 2, 1915.....	627	3,526,368	5,624
Nov. 10, 1915.....	626	2,108,028	3,357

As shown by the statements of member banks last made to the Comptroller, as of November 10, 1915, the average rate of interest charged borrowing banks was approximately 3.95 per cent.

At no time during the year has there been a necessity, so far as the needs of the business community were concerned, for this bank to make any loans. The small borrowings of the member banks could easily have been effected with their correspondents in the reserve cities. This condition, however, is only temporary, and due to extraordinary business conditions. Upon the return of normal conditions this bank will surely find its expected sphere of usefulness.

Statement of condition, Federal Reserve Bank of Philadelphia, at the close of business Dec. 31, 1915.

RESOURCES.

Bills discounted—members.....	\$168,274.06
Bills discounted—bought.....	2,542,975.94
United States bonds on hand.....	1,993,750.00
Investments.....	1,484,147.13
Interest accrued on investments.....	10,142.15
Furniture and equipment.....	18,491.31
Organization expense.....	31,517.06
Advance payments.....	1,684.23
Cost of Federal Reserve notes.....	43,172.04
Due from Federal Reserve Banks.....	5,445,817.16
Due from member banks—overdrafts.....	33,959.73
Exchanges for clearing house.....	1,046,543.43

Cash:

Gold coin and certificates.....	\$7, 445, 485. 00
Gold settlement fund.....	9, 695, 000. 00
National bank notes and Federal Reserve notes of other banks	215, 885. 00
Federal Reserve notes of the Federal Reserve Bank of Philadelphia.....	380, 267. 50
Legal tender notes, silver certificates, fractional coin, etc.....	3, 358, 246. 13
	<u>\$21, 094, 883. 63</u>
	<u>33, 915, 357. 87</u>

LIABILITIES.

Capital.....	\$5, 269, 600. 00
Unearned discount.....	7, 798. 05
Unearned interest.....	6, 211. 30
Due to member banks.....	25, 424, 376. 56
Government deposits.....	787, 178. 48
Cashier's checks.....	107. 63
Due to Federal Reserve Banks.....	2, 419, 846. 14
Reserved for Federal income tax.....	239. 81
	<u>33, 915, 357. 87</u>

Expenditures of the Federal Reserve Bank of Philadelphia from organization to and including December 31, 1915.

I. Current expenses.

Expense of governors' conferences.....	\$911. 84
Expense of Federal Reserve Agents' conferences	218. 19
Assessments since July 1 on account of expenses of Federal Reserve Board.....	10, 523. 50
Federal Advisory Council (fees and traveling expenses).....	374. 01
Directors' fees.....	3, 501. 94
Legal fees.....	1, 969. 27
Salaries:	
Bank officers.....	36, 040. 91
Clerical staff.....	34, 085. 65
Special officers and watchmen.....	6, 050. 82
Traveling expenses:	
Directors.....	1, 191. 48
Officers and clerks.....	243. 12
Per diem allowance of directors.....	1, 076. 32
Telephone.....	994. 72
Telegraph.....	97. 50
Postage.....	3, 044. 54
Expressage.....	1, 575. 67
Rent.....	8, 926. 45
Insurance and premiums on fidelity bonds.....	3, 520. 62
Light, heat, and power.....	1, 225. 15
Printing and stationery.....	4, 021. 06
Repairs and alterations.....	600. 81
All other expenses N. E. S.....	1, 497. 53
Total current expenses.....	<u>121, 691. 08</u>

II. Organization expenses (see note 1).

Carried from current expenses (account expense prior to Nov. 16, 1914).....	\$13,304.98
Assessment for general expenses of Federal Reserve Board (prior to June 30, 1915).....	18,395.76
Total.....	31,700.74

III. Cost of Federal Reserve notes, total, including expressage, insurance, etc. (see note 2).....

55,772.04

IV. Equipment (see note 3).

Furniture and fixtures.....	4,538.47
Machines.....	9,291.26
Other.....	4,661.58
Total equipment.....	18,491.31
Total expenditures.....	227,655.18

Earnings of the Federal Reserve Bank of Philadelphia from organization to and including December 31, 1915.

EARNINGS.

Earnings from:

Bills discounted—member banks.....	\$20,173.44
Bills purchased—bankers' acceptances.....	29,605.50
Investments in United States bonds.....	8,288.13
Investments in warrants.....	54,155.88
Sundry profits (including \$20,502.50 appreciation in market value of United States bonds).....	23,792.33
Total earnings.....	\$136,015.28
Deduct commissions paid (see note 4).....	1,540.51
Deduct cost of Federal Reserve notes issued (see note 2).....	12,600.00
	14,140.51
Net earnings.....	121,874.77

Excess of "net earnings" over "total current expenses" credited to "organization expenses" on Dec. 31, 1915..... 183.68

NOTE 1.—Beginning with January, 1916, at least one twenty-fourth of the total "organization expenses" is to be charged against current earnings each month.

NOTE 2.—Beginning with January, 1916, the cost of Federal Reserve notes is to be charged against current earnings each month as the notes are issued.

NOTE 3.—Beginning with January, 1916, an allowance for depreciation is to be charged against current earnings each month.

NOTE 4.—This amount represents the commissions paid to other Federal Reserve Banks for services rendered by them in buying investments for this bank.

COMMENT AND EXPLANATION OF THE STATEMENT OF CONDITION.

Referring specifically to the foregoing statement of condition given on page 213, the following comment and explanation on certain of the account headings may be of interest:

RESOURCES.

Bills discounted members.—This account represents the amount of bills on hand rediscounted for our member banks. The first rediscounts were received on November 23, 1914, and since this date the amount of rediscounted bills held at any one time has fluctuated from \$126,882, the lowest amount, to \$1,063,784. The total amount of paper rediscounted aggregates \$6,839,674, having been received from member banks. Of these banks 48 are located in Pennsylvania (of which number 8 are in Philadelphia), 19 are located in New Jersey, and 3 in Delaware. The smallest amount of rediscounts included in any one application was \$253.75 and the largest amount \$500,000. The smallest note rediscounted was for \$33.05 and the largest note \$250,000. We have attempted to simplify the operation of rediscounting in every way possible, and all applications have been acted upon the same day that they were received. The total amount of bills discounted during any one month is shown in Appendix VII, on page 226, and the average rate of return during any month from rediscounts is shown in Appendix VIII, on page 226. The established rates of discount of this bank are given in Appendix X, on page 227.

Bills discounted bought.—This account consists of bankers' acceptances purchased by the bank for investment, this bank having been the first Federal Reserve Bank to buy bankers' acceptances, the initial purchase having been made on February 19, 1915. The acceptances which we have secured have been drawn to cover import and export transactions on such commodities as hides, wool, sugar, silk, coffee, copper grain, rubber, wood pulp, cotton, etc., and we have had difficulty in securing as many of these acceptances as we should have liked. During the year this account has fluctuated from \$93,205 to \$3,008,680, the total amount of bankers' acceptances purchased being \$7,565,968.

Investments.—This account includes all warrants or bonds of municipalities owned. The amount of warrants which we are permitted to hold has been limited by the Federal Reserve Board to \$3,500,000, but the offerings of such investments have not been sufficient to enable us to have this amount at any one time.

Interest accrued on investments.—This account represents interest accrued on United States bonds since the date of the past payment of interest.

Redemption account.—All currency sent to the Comptroller of the Currency for redemption is charged to this account, to cover which remittances are made by the comptroller.

Organization expense.—This account includes all the expenses of the bank prior to the opening for business on November 16, 1914, and also our proportionate share of the expenses of the Federal Reserve Board from the time of its organization to June 30, 1915.

Advance payments.—This account includes payments made in advance for current operating expenses which should properly be distributed over a period of time, the accrued proportion being charged each month to the proper subaccount of "Current expense." Such payments include premiums on fidelity bonds, insurance, and protection charges, contract payments for mercantile agency services, subscriptions, etc.

Cost of Federal Reserve notes.—This account includes the cost of paper, printing, spoilage, and transportation of Federal Reserve notes printed for the bank since the opening on November 16, 1914, to December 31, 1915, less \$12,600, the estimated actual cost of the notes delivered to the bank, which has been deducted from "total earnings."

Due from member banks—Overdrafts.—This account represents amount from members of our check-collection system because of items in transit.

LIABILITIES.

Unearned discount.—This account represents the discount deducted from bills at the time of obtaining them. This account is charged daily with the amount of discount earned, the same being credited to "Discount."

Unearned interest.—This account represents interest accruing, to maturity, on warrants owned, the amount of which interest has been added to the principal of the warrants and charged to "Investments." "Unearned interest" account is charged daily with the amount of interest earned, the same being credited to "Interest earned on investments."

OTHER REMARKS CONCERNING THE OPERATIONS OF THE BANK.

PURCHASE OF UNITED STATES BONDS.

All of the bonds purchased by this bank have been 2 per cent consols; the price has averaged 98.66 per cent. The present market price of these bonds is about 99.6875 per cent, showing an appreciation of \$20,502.50. Our first holding of these bonds was acquired on June 25, 1915, but the majority were not purchased until November, 1915. While an investment in Government bonds was always possible and often considered by our board, there was a feeling on the part of some of the directors that the locking up of funds in such bonds was undesirable, because it curtailed the bank's power to serve the community in case of need, coupled with which was the knowledge that the bank might be required to buy during the coming year about \$2,500,000 of 2 per cent bonds from member banks.

In explanation of the recent purchase of Government bonds, it is only proper to say that it had developed that the bank has had no difficulty in keeping a large amount of Federal Reserve notes in circulation, and as the bank has the privilege of issuing notes against such bonds, it was felt that there was practically no danger of curtailing the loaning power of the bank by such purchases, as in case of necessity advantage could be taken of this privilege.

COLLECTION OF CHECKS.

A system for the collection of checks of member banks within this district, by this bank, was put into operation on June 15, 1915. It provided for the creation of an association of such of our member banks as voluntarily joined it, known as the check-collection system. Members of this system have the right to send to the Federal Reserve Bank, for immediate credit at par, all checks received by them on banks that have joined the system, which checks are to be charged to the accounts of the paying banks by the Federal Reserve Bank at par immediately upon their receipt.

Only 119 banks out of a total of 628 banks in the district are members of this system; consequently, its operations have been so restricted that the collection of checks has been but slightly facilitated, and it is felt that the plan will have to be modified. At present the correspondents of our member banks in Philadelphia, in consideration of the balances kept with them, will collect at par all the checks now going through the check-collecting system. It is believed, however, that when the reserve balances are concentrated in the Federal Reserve Bank, the reserve city banks will not be able to do this work without charge, and then our members will be glad to avail themselves of some such system for the collection of checks.

The matter of collection of checks on banks outside of the district has received much consideration from the officers of this bank in conjunction with officers of other Federal Reserve Banks, but, as has been announced, no plan for this service has yet been perfected.

The terms made by the ~~city~~ banks of this district for remitting for their checks vary from par t

Checks on all banks that are members

of the check-collection system are collected at par. From the best information available regarding the charges made by the other member banks, outside of Philadelphia, it appears that about 80 per cent of them charge one-tenth of 1 per cent; about 14 per cent charge one-eighth of 1 per cent; a very few one-fourth of 1 per cent; and a small number one-twentieth of 1 per cent. Many banks will remit at a lower rate than their established rates when the sum remitted exceeds a certain amount, say, \$2,500 or \$3,000.

The remittance rates noted above have prevailed with our banks for years, and with the exception of the banks that have joined the check-collection system, we can not discover that any appreciable reductions have been made in such rates since the clearing system of the Federal Reserve Bank went into effect.

WORK OF THE AUDITOR.

Each month the auditor verifies the bank's holdings of cash and securities, and makes a report in person to the board of directors concerning the condition of the bank. He witnesses all entries into those compartments of the vault used by the bank for keeping the larger portion of its reserves. He verifies all general ledger entries. The daily proof sheets of all the departments of the bank are delivered into his custody, which proof sheets he checks and verifies. He keeps the stock ledger of the bank, and audits all bills for supplies and other items.

The auditor also makes a monthly report to the Federal Reserve Board as to the holdings of the Federal Reserve Agent and the condition of his accounts. He witnesses all entries into the vaults occupied by the Federal Reserve Agent, and checks all entries on his books.

OPERATION OF THE OFFICE OF THE FEDERAL RESERVE AGENT.

As required by the Federal Reserve Act, a local office of the Federal Reserve Board has been maintained on the premises of the bank by the Federal Reserve Agent.

The statement of the accounts of the Federal Reserve Agent as of December 31, 1915, is as follows:

RESOURCES.

Federal Reserve notes on hand.....	\$2, 680, 000
Federal Reserve notes outstanding.....	9, 160, 000
Gold and lawful money to retire Federal Reserve notes:	
Gold on hand.....	4, 160, 000
Credit balance with Federal Reserve Board.....	5, 000, 000
Federal Reserve notes sent to Comptroller of Currency for cancellation and destruction.....	640, 000
	<u>21, 640, 000</u>

LIABILITIES.

Federal Reserve notes from Comptroller of Currency (gross amount)	12, 480, 000
Provision for redemption of Federal Reserve notes.....	9, 160, 000
	<u>21, 640, 000</u>

Attached to this office is a secretary and four assistants, whose principal functions are—

The maintenance for the bank of credit files, including the examination and paralleling of statements of condition, received from member banks.

Checking statements of conditions of member banks as to changes in capital stock or surplus of member banks, as such changes affect the capital of this bank.

Keeping the accounts of the Federal Reserve Agent and the preparation of the reports to the Board.

Collection of information for the preparation of the monthly reports to the Board on business conditions.

Preparation of various kinds of statistical and analytical reports and many other miscellaneous duties in connection with both the operation of this office and the operation of the bank.

All the provisions of the Federal Reserve Act have been carefully observed by the bank. There has been the closest cooperation between the Governor and the Federal Reserve Agent, who have together passed upon practically all paper offered for rediscount, all purchases of bills, warrants, and other investments that have been made, and have conferred upon all matters affecting the policy of the bank.

Federal Reserve notes to the amount of \$9,800,000 have been issued, of which \$640,000 have been returned in mutilated condition to the Comptroller of the Currency for destruction, leaving a balance of notes outstanding of \$9,160,000, all of which are covered by an equal amount of gold, either represented by United States Treasurer's gold certificates deposited with the Federal Reserve Agent, or deposited with the Federal Reserve Board for the credit of the Federal Reserve Agent.

As is well known, at no time since the bank was opened has there been any lack of currency in circulation. New notes, however, have been scarce, and recently the demand for notes of the denomination of ten and twenty dollars for pay-roll purposes has been great, and it is due to these causes that we have been able to circulate Federal Reserve notes. The demand for these notes keeps up and the increase in the circulation of Federal Reserve notes may continue until member banks are unable to part with any more gold with which to take them out. The gold deposited to cover these notes is so much gold withdrawn from the available reserves of national banks, and if the issue of these notes continues it will sooner or later have an effect on bank reserves. The gold deposited to redeem these notes increases the loaning power of the Federal Reserve Bank, and it is for the purpose of accumulating such a fund of gold that notes are issued.

Reference should be made to the cost of printing, issuing, and redemption of Federal Reserve notes, estimated to be about a cent a note, amounting in the aggregate to \$12,600 on the notes issued, which cost this bank has to bear. These notes are being substituted for and taking the place of notes that were issued and circulated at the expense of the United States.

Our operations in connection with the issue of Federal Reserve notes have been very much facilitated by the hearty cooperation of the officials of the Subtreasury at Philadelphia, where unissued Federal Reserve notes are kept, and we wish to express our appreciation of their services.

DIFFICULTIES ENCOUNTERED OR PROBLEMS PRESENTING THEMSELVES FOR SOLUTION IN THE ADMINISTRATION OF THE ACT OR THE BOARD'S REGULATIONS.

It was found that there was considerable misunderstanding as to the meaning of that part of circular No. 2 and regulation B, series of 1915, referring to obtaining written statements from borrowers. It appeared that a large number of our member banks were under the impression that no obligation was eligible for rediscount unless the maker had filed with his bank figures showing his financial condition. As many of the banks had not succeeded in obtaining statements from their depositors, they believed that the obligations of such depositors did not conform to the regulation determining eligible paper and so reported to us, notwithstanding that the bank officers were entirely familiar with the financial condition of these customers and felt justified in discounting their obligations. Considerable time has been spent in explaining this regulation and in indicating what paper is eligible for discount, but at the same time

effort has been made to show the advantage of securing written statements from borrowers and to have member banks adopt that practice.

It seems well to encourage member banks to conduct their business so as to be able to take advantage of their Federal Reserve Bank, and to that end the bank has been endeavoring to get them to so adjust their methods and practices that they may have on hand at all times a reasonable amount of paper eligible for rediscount. The latest reports to the Comptroller of the Currency indicate that our member banks now hold considerably more paper eligible for rediscount than formerly.

As is well known, there is a prejudice on the part of many member banks against rediscounting, but as the sound banking principles of the Federal Reserve Act are better understood, it is expected this prejudice will disappear.

We have observed an unfortunate misunderstanding by member banks of the result to them of the changes in the reserve requirements. Undue thought is given to the balance carried, without interest, in the Federal Reserve Bank, but no consideration is apparently given to the amount of reserves released and to the great reduction in reserve required on time deposits. It is hoped that proper consideration will be given to this matter, so that it will be realized that the changes in the reserve requirements actually result in benefit to the member banks.

LIST OF APPENDICES.

- I. By laws of the Federal Reserve Bank of Philadelphia.
- II. Table showing total resources of national banks, trust companies, and State banks in district No. 3.
- III. Classification of member banks in district No. 3 according to resources as of September 2, 1915.
- IV. Earnings, losses, and dividend rates in 1914 of the 628 member banks now in district No. 3.
- V. Comparison of important items in statements of member banks showing relative growth during the past year.
- VI. Table showing for each month the amount and denomination of Federal Reserve notes issued and destroyed.
- VII. Table showing for each month the amount of bills discounted for member banks, bills discounted bought, warrants bought, United States bonds bought, total funds invested, and the number of member banks accommodated.
- VIII. Table showing for each month daily average amount of bills discounted, investments, and total funds invested, with the average rate of return.
- IX. Maturities of the investments (exclusive of United States bonds) at the close of business on the last Friday of each month.
- X. Table of established rates of discount of the bank.
- XI. Table showing comparatively for several Federal Reserve Banks the proportion of invested funds to resources.
- XII. Table showing the results of the operation of the check collection system.

APPENDIX I.

BY-LAWS OF THE FEDERAL RESERVE BANK OF PHILADELPHIA.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every second and fourth Thursday of each month at 10.30 o'clock a. m., or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors, chosen from classes A, B, or C; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon a vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof. Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank and to exercise the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. *Officers.*—The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The Governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The Deputy Governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The Secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The Cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall be open for business from 10 o'clock a. m. to 3 o'clock p. m. on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board or by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

APPENDIX II.

Table showing total resources of national banks, trust companies, and State banks in district No. 3.

	National banks.		Trust companies.		State banks.		Total resources.
	Number.	Resources.	Number.	Resources.	Number.	Resources.	
Delaware.....	24	\$15,277,895	17	\$18,690,651	5	\$3,804,488	\$37,763,034
New Jersey.....	70	81,811,107	20	43,388,848	8	9,167,935	134,367,890
Pennsylvania...	533	958,018,688	179	516,291,128	117	103,865,932	1,578,175,748
Total.....	¹ 627	1,055,107,690	225	578,360,627	130	116,838,355	1,750,306,672

¹ As of September, 1915.

Summary.

	Number financial institutions.	Total resources.
National banks	627	\$1,055,107,690
Trust companies	225	578,360,627
State banks	130	116,838,355
Total	982	1,750,306,672

APPENDIX III.

Classification of member banks in district No. 3 according to resources as of September 2, 1915.

	Number.
Banks with resources under \$100,000.....	2
Banks with resources of \$100,000 to \$200,000.....	53
Banks with resources of \$200,000 to \$300,000.....	69
Banks with resources of \$300,000 to \$500,000.....	119
Banks with resources of \$500,000 to \$2,500,000.....	312
Banks with resources of \$2,500,000 to \$20,000,000.....	64
Banks with resources over \$20,000,000.....	8
Total.....	627

APPENDIX IV.

Earnings, losses, and dividend rates in 1914 of the 628 member banks now in district No. 3.

	Classification of banks according to capital and surplus.						Cross totals.
	Under \$200,000	\$200,000 to \$500,000.	\$500,000 to \$1,000,000.	\$1,000,000 to \$1,500,000.	\$1,500,000 to \$3,000,000.	\$3,000,000 to \$5,000,000.	
Amount of earnings.....	\$2,355,000	\$2,644,684	\$1,788,156	\$825,709	\$1,045,477	\$2,384,679	\$11,023,705
Amount of losses:							
Through bad debts, etc....	649,229	838,537	548,381	236,175	217,638	1,940,966	4,430,926
Net loss before payment of dividends.....	51,450	48,390	24,792	.....	.....	282,763	407,395
Number of banks paying following dividends:							
2 per cent.....	6	0	0	0	0	0	6
2½ per cent.....	2	0	0	0	0	0	2
3 per cent.....	8	1	0	0	0	0	9
4 per cent.....	30	0	1	0	0	0	31
4½ per cent.....	3	0	0	0	0	0	3
5 per cent.....	27	4	0	0	0	0	31
5½ per cent.....	5	0	0	0	0	0	5
6 per cent.....	105	13	7	1	0	0	126
6½ per cent.....	1	0	0	0	0	0	1
7 per cent.....	9	3	1	0	0	1	14
7½ per cent.....	1	0	0	0	0	0	1
8 per cent.....	58	28	7	0	3	0	96
8½ per cent.....	0	1	0	0	0	0	1
9 per cent.....	4	3	0	0	0	0	7
9½ per cent.....	1	0	0	0	0	0	1
10 per cent.....	36	36	9	2	0	1	84
11 per cent.....	1	0	0	0	0	0	1
12 per cent.....	22	20	11	4	2	1	60
12½ per cent.....	1	1	0	0	0	0	2
13 per cent.....	0	0	0	1	0	0	1
14 per cent.....	1	7	5	0	1	1	15
15 per cent.....	3	4	2	0	0	0	9
16 per cent.....	6	8	1	2	0	4	21
18 per cent.....	0	3	0	0	0	0	3
19 per cent.....	0	1	0	0	0	0	1
20 per cent.....	2	7	0	3	0	0	12
22 per cent.....	0	0	1	0	0	0	1
24 per cent.....	0	1	1	0	0	0	2
25 per cent.....	0	1	0	0	0	0	1
28 per cent.....	0	0	1	0	1	0	2
30 per cent.....	1	1	0	0	0	0	2
40 per cent.....	0	0	1	0	0	0	1
							552
Number of banks not reporting any dividend....	71	3	2	0	0	0	76
Total number of banks....	404	146	50	13	7	8	628

APPENDIX V.

Comparison of important items in statements of member banks, showing relative growth during the past year.

	Statement of condition.		Increase.	Decrease.
	Dec. 31, 1914.	Sept. 2, 1915.		
Total resources.....	\$979,760,179	\$1,055,107,691	\$75,347,511	.....
Loans and discounts.....	513,371,368	527,796,584	14,427,216	.....
United States bonds.....	61,247,659	61,438,269	190,610	.....
Other bonds and securities.....	173,742,289	198,562,225	24,839,936	.....
Deposits (including due to reserve agents and other banks).....	717,606,782	790,464,311	72,857,529	.....
Due from Federal Reserve Bank.....	15,320,943	19,442,560	4,121,617	.....
Lawful money reserve in bank.....	50,888,165	48,299,070		\$2,589,095
Rediscouts and bills payable.....	5,128,975	3,525,367		1,603,608
National bank notes outstanding.....	60,071,379	58,278,134		1,793,145
Letters of credit and acceptances.....	(¹)	6,107,283		
Excess reserves.....	(¹)	76,836,182		

¹ Not shown.

NOTE.—The figures as of Dec. 31, 1914, are for the 627 banks which were in the district on Sept. 2, 1915.

APPENDIX VI.

Table showing for each month the amount and denomination of Federal Reserve notes issued and destroyed.

Month.	Denominations issued—			Total amount issued.	Total amount returned to comptroller for destruction.
	5's.	10's.	20's.		
1914.					
November.....	\$500,000	\$240,000	.....	\$740,000	.....
December.....					
1915.					
January.....					
February.....					
March.....					\$20,000
April.....					40,000
May.....	620,000	360,000	.....	980,000	20,000
June.....	560,000	240,000	.....	800,000	40,000
July.....	420,000	160,000	.....	580,000	50,000
August.....	520,000	200,000	.....	720,000	40,000
September.....	480,000	640,000	400,000	1,520,000	100,000
October.....		720,000	480,000	1,200,000	70,000
November.....	320,000	920,000	720,000	1,960,000	160,000
December.....	420,000	400,000	480,000	1,300,000	100,000
Total.....	3,840,000	3,880,000	2,080,000	9,800,000	640,000

APPENDIX VII.

Table showing for each month the amount of bills discounted for member banks, bills discounted bought, warrants bought, United States bonds bought, total funds invested, and the number of member banks accommodated.

Month.	Bills discounted.		Investments.		Total funds invested.	Number of member banks accommodated.			
	Members.	Bought.	Warrants.	United States bonds.		Pennsylvania.	New Jersey.	Delaware.	Total.
1914.									
November.....	\$920,200				\$920,200	6		1	7
December.....	782,391				782,391	7	5	1	13
1915.									
January.....	277,792		\$1,520,000		1,797,792	8	3	1	12
February.....	527,323	\$339,077	49,061		915,461	12	9	1	22
March.....	1,041,352	857,493	458,000		2,356,845	15	9	1	25
April.....	288,534	436,745	243,125		968,404	13	11	1	25
May.....	368,088	170,553	643,500		1,182,141	18	11	1	30
June.....	454,763	549,625	321,500	\$200,000	1,525,888	18	14	2	34
July.....	483,130	800,894	649,695	150,000	2,083,719	23	10	1	34
August.....	788,028	328,073	1,001,013		2,117,114	14	2		16
September.....	337,645	994,388	724,881		2,056,914	12	2		14
October.....	296,218	429,901	217,998	154,000	1,098,117	6	4	1	11
November.....	156,665	709,404	684,099	1,496,000	3,046,168	11	3	2	16
December.....	117,545	1,949,816	881,278		2,948,639	12	1		13
Total.....	6,839,674	7,565,969	7,394,150	2,000,000	23,799,793	48	19	3	70

¹65 different member banks were accommodated during the calendar year 1915; 43 in Pennsylvania, 19 in New Jersey, and 3 in Delaware.

APPENDIX VIII.

Table showing for each month daily average amount of bills discounted, investments, and total funds invested, with the average rate of return.

Month.	Bills discounted.	Average rate.	Investments.	Average rate.	Total funds invested.	Average rate.
1914.		Per cent.		Per cent.		Per cent.
November.....	\$727,400	0.0650			\$727,400	0.055
December.....	491,570	.0571			491,570	.057
1915.						
January.....	430,351	.0519	\$1,009,338	0.0336	1,469,689	.039
February.....	461,207	.0451	1,545,193	.0318	2,026,400	.034
March.....	1,712,059	.0332	1,894,029	.0300	3,606,088	.035
April.....	2,137,066	.0309	2,030,616	.0306	4,167,682	.030
May.....	1,682,393	.0307	2,439,399	.0286	4,121,792	.031
June.....	1,573,537	.0318	1,459,467	.0302	3,033,004	.030
July.....	1,940,250	.0296	1,842,747	.0272	3,782,997	.028
August.....	2,048,302	.0280	2,446,796	.0272	4,495,098	.028
September.....	2,033,714	.0280	3,149,970	.0264	5,183,684	.026
October.....	1,751,409	.0254	3,390,925	.0252	5,132,334	.025
November.....	1,964,910	.0248	4,449,079	.0234	6,413,989	.023
December.....	2,903,649	.0220	3,805,942	.0220	6,709,591	.022

APPENDIX IX.

Maturities of the investments (exclusive of United States bonds) at the close of business on the last Friday of each month.

MATURITY.

Last Friday of—	1 to 10 days.	11 to 30 days.	31 to 60 days.	61 to 90 days.	91 days to 6 months.	Monthly total.
1914.						
November.....		\$880,000				\$880,000
December.....		684,713	\$55,231	\$44,925	\$655	785,524
1915.						
January.....		186,666	92,062	137,712	1,422,186	1,841,656
February.....		230,449	265,297	191,137	1,359,580	2,076,463
March.....		817,263	1,062,513	1,900,168	129,619	4,019,663
April.....		1,157,819	2,210,735	580,016	284,980	4,233,550
May.....		2,299,807	782,511	273,071	842,387	4,197,776
June.....		631,968	709,499	537,174	1,050,500	2,919,141
July.....	\$204,228	411,355	1,425,263	861,350	1,949,195	3,851,391
August.....	498,039	855,392	1,362,544	730,136	1,346,323	4,787,434
September.....	925,166	634,211	1,456,853	2,644,926	532,161	5,193,317
October.....	240,850	697,289	2,832,151	461,911	357,015	4,589,216
November.....	1,540,639	964,836	1,467,739	774,644	135,357	4,903,215
December.....	210,948	695,635	2,064,372	962,597	319,385	4,252,937

APPENDIX X.

Table of established rates of discount of the bank.

Class of rediscounts.	Date of change.						
	Nov. 16, 1914.	Dec. 16, 1914.	Dec. 28, 1914.	Jan. 28, 1915.	June 25, 1915.	Sept. 23, 1915.	Oct. 14, 1915.
Commercial paper:							
1 to 10 days' maturity.....	5½	5	4½	4	3	3	3
11 to 30 days' maturity.....	5½	5	4½	4	4	4	4
31 to 60 days' maturity.....	6	5½	5	4	4	4	4
61 to 90 days' maturity.....	6	6	5	4½	4½	4	4
Agricultural and live stock paper: 91 days to 6 months' maturity.....	6	6	6	5	5	5	4½
Trade acceptances:							
1 to 10 days' maturity.....						3	3
11 to 60 days' maturity.....						3	3
61 to 90 days' maturity.....						3	3
Commodity paper:							
1 to 30 days' maturity.....						3	3
31 to 60 days' maturity.....						3	3
61 to 90 days' maturity.....						3	3

Authorized rate for discount of bankers' acceptances, 2 to 4 per cent.

APPENDIX XI.

Table showing comparatively for several Federal Reserve Banks the proportion of invested funds to resources.

[In thousands of dollars.]

Statement.	Philadelphia.			New York.			Boston.		
	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.
1914.									
Nov. 27.....	\$20,774	\$880	4.2	\$110,331	\$2,715	2.4	\$16,028	\$217	1.1
Dec. 31.....	21,501	786	3.6	104,885	329	.3	14,076	154	1.0
1915.									
Jan. 29.....	24,407	1,842	7.5	120,949	6,275	5.2	19,257	733	3.8
Feb. 26.....	23,881	2,076	8.7	132,734	9,183	6.8	19,039	834	4.9
Mar. 26.....	23,685	4,019	16.9	132,133	12,336	9.3	20,005	2,096	10.4
Apr. 30.....	25,908	4,233	16.3	140,458	14,267	10.1	21,866	4,112	18.8
May 28.....	26,441	4,196	15.8	141,296	13,192	9.3	23,123	4,565	19.7
June 25.....	26,841	3,113	11.6	163,118	8,417	5.1	24,100	4,565	18.9
July 30.....	23,108	4,191	18.1	156,252	11,512	7.4	24,023	5,023	21.3
Aug. 27.....	23,292	5,128	22.0	165,662	17,313	10.5	25,270	6,676	26.4
Sept. 24.....	23,352	5,533	23.7	173,920	14,726	8.5	25,934	6,837	26.4
Oct. 29.....	24,200	5,081	21.0	190,304	13,673	7.2	27,770	7,092	25.5
Nov. 27.....	29,690	6,876	23.1	214,825	16,044	7.4	32,988	9,702	29.4
Dec. 30.....	29,454	6,226	21.1	209,753	10,221	4.8	32,367	10,755	33.3

Statement.	Cleveland.			Chicago.			Richmond.		
	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.
1914.									
Nov. 27.....									
Dec. 31.....	\$19,515	\$506	2.6	\$42,409	\$2,822	6.6	\$11,035	\$2,022	18.1
1915.									
Jan. 29.....	20,029	1,245	6.2	44,897	4,173	9.2	12,647	3,720	29.4
Feb. 26.....	21,256	1,692	7.9	47,575	5,586	11.7	14,492	5,587	38.6
Mar. 26.....	21,051	3,196	15.1	47,602	8,051	16.9	15,473	6,622	42.8
Apr. 30.....	21,737	3,914	18.0	48,258	8,754	18.1	15,433	6,944	44.9
May 28.....	23,039	3,673	15.9	51,541	8,505	16.5	16,129	7,413	45.9
June 25.....	22,928	2,989	13.0	54,604	6,902	12.6	16,410	7,379	44.9
July 30.....	23,081	3,215	13.9	52,937	7,690	14.5	17,156	8,361	48.7
Aug. 27.....	23,390	4,179	17.9	54,648	9,823	18.0	18,115	8,652	47.7
Sept. 24.....	23,250	3,885	16.7	59,279	9,766	16.5	22,326	8,504	38.1
Oct. 29.....	23,467	5,715	24.3	55,455	10,685	19.3	21,137	6,914	32.7
Nov. 27.....	30,416	5,937	19.5	59,035	10,940	18.5	24,596	7,106	28.9
Dec. 30.....	31,149	6,546	21.0	60,363	11,495	19.0	24,499	7,739	31.6

¹ Exclusive of an item of \$5,600,000, which was cleared on the following day.

APPENDIX XII.

Table showing the results of the operation of the check-collection system.

Number of member banks in the collection system Dec. 31, 1915..... 119
 Number of additions since the inauguration of the system..... 10
 Number of withdrawals since the inauguration of the system..... 10

Month.	Average number and amount of items received daily.							
	On city banks.		On country banks.		On other Federal Reserve Banks.		Cross totals.	
	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.
1915.								
July.....	754	\$879,407	4,388	\$318,973	37	\$755,015	5,179	\$1,953,395
August.....	630	958,474	4,150	298,817	43	794,906	4,823	2,052,197
September.....	859	1,082,466	4,014	310,044	50	1,196,780	4,923	2,586,280
October.....	834	1,169,971	4,415	358,090	60	1,407,572	5,309	2,935,433
November.....	1,002	2,070,382	4,634	395,675	86	1,914,964	5,722	4,381,021
December.....	1,149	2,303,422	4,826	429,960	90	1,985,924	6,065	4,719,306
Average per month..	871	1,410,687	4,405	351,927	61	1,342,494	5,337	3,106,107

Total amount of credit side of "due to" accounts with other Federal Reserve Banks, showing total amount received and credited to other Federal Reserve Banks for the year ending Dec. 31, 1915: Total mail received for credit, \$175,297,108.

Total amount of debit side of "due from" accounts with other Federal Reserve Banks, showing total amount sent out and charged to other Federal Reserve Banks for the year ending Dec. 31, 1915: Total mail sent out for our credit, \$288,971,935.

DISTRICT NO. 4—CLEVELAND.

D. C. WILLS, Chairman and Federal Reserve Agent.

ANNUAL REPORT FOR 1915 OF THE FEDERAL RESERVE BANK OF CLEVELAND.

A sound basis has been established for the successful administration of the Federal reserve system in the fourth district. The officers and directors of the Federal Reserve Bank of Cleveland have devoted themselves with zest to their task, with full appreciation of a great opportunity and stimulated by the many absorbing problems of the first year. In the retrospect the year appears to have been well spent in laying safe foundations for future usefulness, as well as rendering welcome service whenever any opportunity for such service has been developed.

ORGANIZATION.

Upon the announcement of the date upon which the bank was to begin operations the directors of the Federal Reserve Bank of Cleveland devoted themselves, through frequent meetings, to the task of getting together the nucleus of an organization and securing suitable quarters. We were fortunate in obtaining comparatively inexpensive yet adequate quarters in a building located on the most prominent corner in Cleveland, with favorable arrangements for such expansion as might prove necessary. One of the chief advantages of the space that was secured is a modern vault—one of the strongest in the State of Ohio.

Attention was naturally first directed to securing a capable force to handle the large amounts of cash to be received for initial capital payments and reserve deposits. Cleveland and Pittsburgh banks generously loaned the services of a number of men, with whose assistance the small initial staff which the bank had secured was able to count, assort, and store this cash without loss or error.

The opening took on almost the character of a celebration, and the attendance was largely stimulated by the action of a Cleveland member bank which invited the officers of every member bank in the district to attend a luncheon on the opening day.

Following the opening the officers and directors proceeded with the organization until a staff of 30 employees had been assembled. Considering the haste which was necessary in its selection, surprisingly few changes have been necessary in the staff, which consists at present, in addition to the governor and chairman, of a secretary-cashier, one assistant cashier, an assistant to the Federal Reserve Agent, a general administrative assistant, an auditor, a chief accountant, a loan and discount clerk, a chief teller, and 20 other employees, including bookkeepers, tellers, transit clerks, stenographers, vault custodian, guard, etc.

The by-laws adopted by the directors followed the usual form of such instruments, being especially drafted with the aim of centering the responsibility of operating the bank on the executive committee and the officers. An executive committee of five members was decided upon, and rotation is observed in appointments to that committee, all directors of whatever class, being eligible. With this arrangement it was considered unnecessary to hold regular meetings of the entire board of directors monthly. The executive committee adopted the

rule of a regular weekly meeting, and the personnel of the committee is so arranged that a quorum is always quickly available to pass on discounts. The personnel of the first board of directors of the Federal Reserve Bank of Cleveland has truly represented the three classes, viz, the member banks, the business interests of the district, and the Federal Reserve Board; and the plan has so far worked to good advantage.

BUSINESS CONDITIONS DURING THE YEAR.

The fourth Federal reserve district is largely self-contained, with only slight seasonal demand for crop movements, with large industries possessed of ample working capital for most ordinary requirements, with municipalities only beginning to finance current needs by short-time borrowings, and whose considerable volume of export and import business has hitherto been conducted through banks in New York and other seaboard cities.

In a district whose most noteworthy industry is the production of steel and its products of machinery, etc., the country-wide depression at the time of the opening of the bank and for some months thereafter was particularly marked. The least active season of many years for the traffic of the Great Lakes was just closing; the coal trade was suffering, not only from general depression but also from local labor difficulties; and practically all of the many diversified industries of the district were at low ebb. Most of the crops of the district had been marketed, except tobacco, in which the situation was far from normal; some of the movement of live stock had been held up by the quarantine due to the foot-and-mouth disease; and these were the only pressing needs reflected in the early discounts of the bank.

The amount of the Aldrich-Vreeland currency in the district was at its height, being then at about twenty-eight millions. The retirement of this currency began and continued without disturbance, and even the withdrawal from circulation of this large amount produced a very small demand for the funds of the Federal Reserve Bank, reflecting the unusual and increasing ease in the money market.

The spring and summer months did not develop any new demand for funds. The slightly increased demand in the fall in portions of the district where agriculture is the principal industry absorbed only a part of the uninvested funds of the banks in most such localities.

This district has had a very large share in the recent business revival, but much of the new business has been financed outside the district, and in many cases has brought actual cash from outside markets with the orders. The liquidated condition of our manufacturers and merchants has further minimized their credit needs, and their limited requirements have only partially absorbed the large excess of loanable funds in our member banks. This situation has recently been intensified by the sale of some large manufacturing enterprises to eastern corporations—a transfer which has brought into the district a very considerable volume of outside funds.

INFLUENCE OF THE BANK ON BUSINESS AND BANKING.

Of course in all of these situations the existence of the Federal Reserve Bank has certainly created or strengthened a feeling of confidence among the member banks, as well as State banks—in fact in all credit agencies. Beyond question the fact that the bank was established and equipped for service was a safeguard against such extremes of caution and fear as would otherwise have been inevitable in such a period of uncertainty and disturbed conditions abroad. Still more important, however, is the fact that the member banks are rapidly becoming fully alive to the possibilities opened to them by the Federal reserve system as the most powerful influence for better banking which has ever presented itself in this country. At the outset, many of our member banks were plainly in the attitude of waiting to see what the system would do for them without action on their part. As the system becomes better understood, they are appreciating the fact that it is chiefly by their own action that they can benefit from it.

them opportunities to improve their own situation and the condition and methods of their own customers. Our member banks now have a greater proportion of their assets in liquid loans than ever before, and this is evidence that the Federal reserve system has already performed an invaluable and momentous service, which does not show itself in the earnings of the bank. That this service has been rendered in district No. 4 is evidenced by the following comparison of paper eligible for rediscount with the Federal Reserve Bank reported by member banks in the called statements of December 31, 1914, and November 10, 1915.

Eligible paper reported.

Dec. 31, 1914.....	\$105,601,500
Nov. 10, 1915.....	127,628,700
Increase (about 21 per cent).....	22,027,200

The total demand deposits of the member banks of this district on November 10, as reported to the comptroller, were approximately \$712,000,000. This \$127,600,000 of rediscountable paper, therefore, means an addition to the immediately convertible assets of our member banks of 18 per cent of their deposits subject to call.

EARNINGS AND EXPENSES.

Although there has been so little occasion for employing the funds of the Federal Reserve Bank of Cleveland in any of the channels permitted under the Federal Reserve Act and the regulations of the Federal Reserve Board, nevertheless the revenues already earned, with earnings accruing from early maturities, will be more than sufficient to cover the current expenses for the first year of operation. The expenses of this bank have been less in proportion to the amount of its capital than those of any other Federal Reserve Bank, with the exception of one which has been able to avail itself of the services of a subtreasury located in the same city.

On May 17, the first day on which the 50 per cent of our capital stock was fully paid, the bank had less than 57 per cent of its paid-in capital in revenue-producing assets. On December 31 this ratio had risen to 110 per cent. The following table shows the salient features of the operations of the bank for the year:

Funds invested and earnings.

	Total loans, etc.	Total revenue.	Average rate (1915).
Bills discounted members:			
1914 (1½ months).....	\$675,268.10		
1915.....	4,526,036.52		
	\$5,201,304.62	\$34,100.51	4.52
Bills discounted—bought:			
Acceptances of nonmember banks.....	2,472,876.78		
Acceptances of member banks.....	489,897.12		
	2,962,773.90	13,303.69	2.22
Investments—Warrants, etc.:			
Cities.....	6,414,160.81		
Townships.....	36,587.50		
Counties.....	249,916.97		
States.....	104,302.42		
	6,804,967.70	72,818.63	2.93
United States Government bonds:			
Twos of 1930.....	400,000.00		
Threes of 1918.....	1,187,000.00		
Fours of 1925.....	770,000.00		
	2,357,000.00	15,515.86	2.50
Total.....	17,325,167.46	135,738.69	3.01
Sundry profits.....		823.88	
		136,562.57	

¹ Of these revenues, \$21,337.34 has not accrued.

Expenses.

Organization:	
Our proportion expenses Federal Reserve Board.....	\$21,511.14
Federal Reserve Bank of Cleveland.....	15,598.02
Furniture and equipment (includes vault equipment, \$9,539.30).....	20,157.08
Total.....	57,564.94

	Amount.	Average per month.
Current:		
Our proportion expense Federal Reserve Board from June 30, 1915.....	\$11,900.60	\$1,983.43
Cost of Federal Reserve notes—Issued.....	9,014.25	667.72
Federal Reserve Bank of Cleveland.....	112,707.30	8,348.06
Total.....	133,622.15	10,999.21

Membership.

Number of member banks Nov. 16, 1914.....	762
New banks organized.....	3
State bank admitted.....	1
Transferred from district No. 5.....	5
	771
Closed by Comptroller of the Currency.....	4
Liquidated.....	5
	9
Number member banks Jan. 1, 1916.....	762
Distribution:	
In reserve cities.....	45
In other than reserve cities.....	717
	762
Distribution according to assets:	
Under \$100,000 assets.....	3
\$100,000 to \$200,000.....	69
\$200,000 to \$300,000.....	101
\$300,000 to \$500,000.....	147
\$500,000 to \$2,500,000.....	357
\$2,500,000 to \$20,000,000.....	75
Over \$20,000,000.....	10
	762

REDISCOUNT POLICY.

In fixing rediscount rates, the directors of the Federal Reserve Bank of Cleveland have recognized that serious evils can follow a rate that is too low, as well as a rate that is too high, and that the desire to obtain business is not the only consideration, nor should it be the ruling consideration of a Federal Reserve Bank, whose function should properly be regulatory of general money rates. The rates established during the early months of the operation of the bank were properly somewhat lower than those hitherto offered by some of the largest city banks in this district. These rates did not, however, produce a large volume of rediscounts in the Federal Reserve Bank, but decreased the charges of some banks which, in rediscounting for or lending to their country correspondents, met our rates. It was not to be expected that all of such rediscounts should immediately be transferred from member banks to the Federal Reserve Bank, and our directors have felt that it would be improper, even aside from the consideration of country-wide welfare, to reduce the rates to such a point as would produce keen criticism and antagonism on the part of ~~some~~ member

banks, without either appreciably increasing the earnings of the Federal Reserve Bank or promoting the best interests of the borrowing public. With the exception of the very justifiable special rates for trade acceptances and exceedingly short-time loans, therefore, our lowest rate has remained at 4 per cent for paper maturing within 60 days, 4½ per cent for paper maturing within 90 days, and 5 per cent for agricultural and live-stock paper maturing within six months.

The bank has had 395 discount transactions with 88 member banks, these transactions being distributed as follows:

	1914.		1915.	
	Number banks.	Amount discounted.	Number banks.	Amount discounted.
Kentucky.....	3	\$268,096.29	16	\$1,156,483.87
Ohio.....	10	177,026.53	38	1,918,171.91
Pennsylvania.....	4	230,146.28	25	1,419,775.66
West Virginia.....			2	31,606.08
Total.....	17	675,268.10	81	4,526,036.52

At the time of rediscounting the maturities of the paper handled were distributed as follows: Thirty days, 27 per cent; 60 days, 44 per cent; ninety days, 22 per cent; beyond 90 days, 7 per cent.

From the called statements of November 10 the following data of the borrowings of member banks in this district have been compiled:

	Bills payable.	Rediscounts.	Total.
With banks outside of district.....	\$1,026,825	\$320,695	\$1,347,520
With other banks in district.....	2,180,362	644,178	2,824,540
With Federal Reserve Bank.....		540,161	540,161
Total.....	3,207,187	1,505,034	4,712,221
Per cent with Federal Reserve Bank.....		35.9	11.5
Per cent of rediscounts in district with Federal Reserve Bank.....		45.6	

FEDERAL RESERVE NOTE ISSUES.

The bank has readily and willingly lent itself to the service of impounding gold through the issuing of Federal Reserve notes, for which dollar for dollar in gold has been retired into the vaults of the Federal Reserve Agent. The quick withdrawal of the Aldrich-Vreeland emergency currency naturally necessitated the substitution of Federal Reserve notes in part, and the demand for currency in pay-roll denominations has been met. The bank has outstanding at the close of the year \$11,000,000 of Federal Reserve notes.

OPEN-MARKET POLICY.

The Federal Reserve Bank of Cleveland has confined its dealings in open-market transactions to the purchase of bankers' acceptances based on the importation and exportation of goods, which have been shared with us by Federal Reserve Banks on the seaboard, and the purchase of warrants of municipalities and other political subdivisions. No other paper has been purchased without the indorsement of a member bank. Our board of directors has been actuated by the conviction that in such an easy money market this bank should guard against the effect which might be produced by undue eagerness to invest the funds of the Federal Reserve Banks at very low rates through open-market transactions.

COLLECTION FACILITIES.

Our directors have shared with the officers of the bank the desire to extend the clearing-house functions as rapidly as is consistent with sound practice and justice to the member banks. At no time has it been felt, however, that it would be proper to attempt to force upon member banks the obligations of immediate credit and debit at the Federal Reserve Bank, and, in common with most of the other Federal Reserve Banks, we have made membership in the collection system purely voluntary, pending the determination of the rights and duties of member banks under the act. Through the operation of the gold settlement fund at Washington our directors have felt warranted in extending to "assenting banks" the privilege of transferring excess balances to the principal centers by request to this bank, as well as the privilege of remitting to this bank their drafts on correspondents in those centers to restore depleted reserve balances.

While there have been instances of banks not members of our collection system which have discontinued the assessment of collection charges, there has been no general movement in that direction. None of the clearing houses in this district have any rules governing collection charges, and therefore the amount of the exchange or collection charge is a matter of arrangement between the individual banks. The rate ranges from one-twentieth to one-eighth of 1 per cent.

The following table will show the progress and operation of the intradistrict clearing system to date:

Transit operations, daily average.

Month.	Amount.	Number of items.	From reserve cities.	From all other banks, including Federal reserve cities.	To reserve cities.	To all other banks, including Federal reserve cities.
June.....	\$349,995	810	(¹)	(¹)	(¹)	(¹)
July.....	736,501	1,644	(¹)	(¹)	(¹)	(¹)
August.....	606,900	1,635	1,381	254	263	1,272
September.....	701,344	1,756	1,494	262	548	1,208
October.....	826,272	1,885	1,601	284	407	1,478
November.....	1,318,904	1,980	1,677	303	453	1,526
December.....	918,985	2,028	1,748	286	435	1,563

¹ No record.

Members intradistrict collection system.

Date.	Total.	Banks in reserve cities.	Banks in other cities.
June, 1915.....	118	39	79
December, 1915.....	118	38	80

OFFICIAL RELATIONS.

In the division of work between the governor of the bank and the chairman of the board, the chairman has, of course, undertaken as Federal Reserve Agent the confidential custody of the called statements of member banks, has assumed supervision of increases and decreases in subscribed capital stock, has supervised the work of the auditor, has kept in close touch with conditions in the district through correspondence and otherwise, and has given some attention to the matter of publicity; and, being continuously a member of the executive committee, has been glad to assist the governor in some of the features of the operation of the bank, especially with relation to the investment of its funds. A spirit of cordial cooperation has prevailed between the two offices.

The directors have not felt that the operations of the bank have for the present required the election of a deputy governor, and this fact has, of course, placed some added responsibilities on the other officers.

The deputy Federal Reserve Agent in the Federal Reserve Bank of Cleveland is not active, and has been called upon as deputy chairman only to preside at meetings of the board of directors in the absence of the chairman.

An exceedingly satisfactory spirit of cooperation has been established between the officers of the bank and the chief examiner of the district, and good results have already been obtained through this cooperation.

STATE BANKS.

The advantages of membership in the system have been steadily impressed upon representative State banks, and several important institutions are known to be very seriously considering membership; one application for membership has been acted upon favorably by the Federal Reserve Board as this report goes forward and the Guardian Trust and Savings Bank of Toledo is the first State bank member in District No. 4. The standard of State examinations is such that additional examination in connection with applications is not at present contemplated. It is believed that many of the State banks will in time come to realize that some moral obligation rests upon them to assume their share in the development of the system to its utmost possibilities.

RELATIONS WITH MEMBER BANKS.

The bank is slowly, but we believe surely, gaining the confidence of its stockholders, the member banks of the district. There has been very little evidence of any hostility on the part of any member or nonmember banks, and it is my judgment, in which I am confirmed by a number of the ablest bankers of the district, that the influence of the system in facilitating better banking, better credit, and better business generally, has already been very marked and has been properly valued, and that a sure foundation has been laid for further progress. For example, the growth of the trade acceptance system seems assured; more and more business men and borrowers of all classes are realizing the importance of sure knowledge of their own financial condition and the sharing of that knowledge by their bank; more and more banks are realizing that it is no longer necessary or desirable to curtail loans to their customers when such loans are clearly warranted; and the lesson is being rapidly learned that the Federal reserve system is a safe bulwark against all purely money stringencies except those that result from improper transactions, and that the system offers the best incentive and the best opportunity for the improvement of banking practice and banking methods.

FIDUCIARY POWERS.

In acting on applications for fiduciary powers, our directors took the ground that no recommendation should be made for permission to exercise any powers other than those which are definitely granted by the State laws; but this has been modified under the regulations of the Federal Reserve Board to the extent of an assumption that a power not definitely prohibited by a State law might be presumed to be permitted. The following fiduciary powers have been granted to member banks in this district on the recommendation of this bank:

Powers.	Ohio.	Pennsyl- vania.	Kentucky.
Trustees only.....		1	0
Registrar of stocks and bonds only.....			0
Trustees and registrar of stocks and bonds.....			0
Trustees, executor, administrator, and registrar of stocks and bonds.....			1
			1

ELECTION METHOD.

In view of the fact that the method of representation provided for in the three classes of directors has so far worked well in the case of the Federal Reserve Bank of Cleveland, no pressing necessity is apparent for a change in the eligibility qualifications of directors. It is plainly apparent, however, that the method of grouping the banks into three classes according to their capital and surplus is ineffective and has not brought about the intended result. It is my judgment that if this method of grouping were abolished and the banks were all to act together in elections, the smaller banks would be likely to be even more adequately represented on the directorates of the Federal Reserve Banks than they are at present. The difficulty with the present method is in obtaining intelligent cooperation among the classes of banks which are supposed to have a community of interest, but which actually do not and can not have such a community of interest in the widely scattered localities throughout the districts.

The advantages and disadvantages of the preferential ballot are by this time, perhaps, sufficiently understood. If this method, whose advantages may be sufficient to warrant its retention, is to be retained, I think it is essential that the method of nomination should be changed, at least to the extent of providing that in order to be placed upon the ticket a nominee must receive the indorsement of a considerable number of banks.

COOPERATION WITH OTHER FEDERAL RESERVE BANKS.

A distinct spirit of cooperation between the 12 Federal Reserve Banks has been developed, not only by the policy of the Federal Reserve Board, but also through the conferences of the governors and the Federal Reserve Agents, the executive committees of those conferences, and the joint executive committees of both of them.

DIFFICULTIES IN ADMINISTRATION OF FEDERAL RESERVE ACT.

Such difficulties as have been encountered in the administration of the Federal Reserve Act are certainly no more than were to have been anticipated in the working out of any new establishment of such size and moment, created by a single piece of legislation. While the first year's operation has demonstrated the essential soundness of the principles on which the Act was founded and the essential wisdom of the Act itself in practically every important particular, yet it has become apparent, of course, that some of the details must be more clearly enunciated through amendments; and perhaps some minor changes will be sooner or later desirable.

DIFFICULTIES WITH REGULATIONS.

It would be folly to claim that no difficulty has been encountered in the interpretation and operation of the regulations of the Federal Reserve Board. There is no doubt that the Federal Reserve Board, like the Federal Reserve Bank of Cleveland, has endeavored to make its communications as reasonable, as simple, and as easily understood as possible; and I can not suggest wherein any of its regulations might be improved. It is also obvious that a number of regulations were necessary at the outset and it is my judgment that the number of communications to member banks has been as small as it could be, and that an even greater number would not be inexcusable, perhaps undesirable. Rightly or wrongly, however, many of our member banks have felt that the board's regulations were overnumerous and have not risen to the task of grasping thoroughly the purport of these various communications. I have reached the conclusion that only time, with its opportunities for personal conference and discussion for actual use of the Federal Reserve Bank, will entirely remedy this situation; and the officers and directors of the Federal Reserve Bank of Cleveland are in the least discouraged over the situation, but rather feel that fully as much progress has been made as could have been expected.

In so far as there is actual dissatisfaction with the system on the part of member banks, such dissatisfaction, I believe, arises generally on the following three points:

1. That no interest is paid on deposits by the Federal Reserve Banks.
2. That the Federal Reserve Banks will not rely solely on the indorsement of member banks on paper submitted for rediscount.
3. That the system threatens the reduction of profits heretofore obtained through collection charges, and conversely threatens to withdraw the free collection of items through city correspondents.

These three objections result from the present unsound practices caused by the great inducements offered to correspondents by large city banks competing for country bank accounts. They can not be justified even by their proponents, and every one of them represents an evil which can be corrected, and will be corrected by strict adherence to the principles already laid down by the new system in these respects. Time and education will prove to the member banks and other banks which will become members that their condition under the new system, with these unjustifiable privileges withdrawn, must be better than before.

OUTLOOK.

I believe it to be the opinion of close observers of financial matters, whose judgment largely makes the sentiment in this district, as well as the general consensus of public opinion, that the Federal Reserve Bank of Cleveland, in its first year of operation, has justified all expectations which could reasonably have been entertained as to the first results of the establishment of a new banking system in this district. The first year has demonstrated to many member banks that the system offers great opportunities for their benefit, but that some action is incumbent on those who would obtain all of the available advantages. This changing of the general attitude of passive inertia to one of active cooperation on the part of the member banks and their customers has been perhaps the most important concern of this bank, and it is evident that most encouraging progress has been made.

The Federal Reserve Bank of Cleveland faces the future with confidence that a cordial and mutually helpful relationship is being surely established between itself and its member banks, and that the number of its member banks will increase; that the new system is already effecting remarkable improvement in banking and business conditions in the fourth district, and that the continued and developing service of this bank can not fail to be increasingly helpful to its members and, in a larger sense, to the public.

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DISTRICT NO. 5—RICHMOND.

WILLIAM INGLE, Chairman and Federal Reserve Agent.

On May 18, 1914, there assembled in Richmond the representatives of five banks of the district, selected by the organization committee to execute the organization certificate of the Federal Reserve Bank of Richmond. The banks whose officers joined in executing the instrument were—

Merchants-Mechanics National Bank, Baltimore, Md.

First National Bank, Roanoke, Va.

Citizens National Bank, Charleston, W. Va.

Palmetto National Bank, Columbia, S. C.

Murchison National Bank, Wilmington, N. C.

On the same day there was held in Richmond a meeting of the representatives of a large number of the national banks of the district, for the purpose of agreeing upon some line of procedure to be followed in electing directors in the reserve bank. It was recognized that the meeting could do nothing which would bind even those banks whose representatives were present, but it was thought that harmonious action would induce general acquiescence in any plan proposed with the idea of simplifying proceedings under the provisions of the law relating to the election of directors. Six directors were to be chosen, and it was unanimously agreed that one should be named from each of the six jurisdictions composing the district. The meeting without dissenting voice recommended that member banks cooperate in an endeavor to procure the election as directors of the following-named gentlemen:

Class A: Mr. Waldo Newcomer, Maryland; Mr. John F. Bruton, North Carolina; Mr. Edwin Mann, West Virginia.

Class B: Mr. George J. Seay, Virginia; Mr. James F. Oyster, District of Columbia; Mr. D. R. Coker, South Carolina.

In due course these gentlemen were elected with substantial unanimity. The Federal Reserve Board named as class C directors Mr. William Ingle, of Maryland, as chairman of the board and Federal Reserve Agent; Mr. James A. Moncure, of Virginia, as deputy chairman and deputy Federal Reserve Agent; and Mr. M. F. H. Gouverneur, of North Carolina.

Pursuant to notice from the Federal Reserve Board the chairman of the board of the Federal Reserve Bank of Richmond called upon the directors to meet in Richmond on October 5, 1914, for the purpose of effecting permanent organization. All of the directors were present, whereupon Mr. George J. Seay was elected governor of the bank. By-laws were adopted and an executive committee of three was provided for. The governor, the chairman, and Mr. John F. Bruton were the members of this committee. Mr. George J. Seay was elected a member of the Federal Advisory Council.

The by-laws of the bank require that stated meetings of the board of directors be held on every alternate Thursday. They further provide that when the board is not in session a majority of the executive committee be empowered to act for the board. No class C director may be a member of the executive committee, other than the chairman of the board.

Many hundred tenders of service were received from within and without the district, and it was difficult so to discriminate as to insure the engagement of high-class men from different sections of the district and at the same time avoid a serious disappointment to many most competent applicants. Those selected, as all have been diligent, thoughtful, and tried field,

and all have materially aided the senior officers. As the business of the bank developed, minor and subordinate positions were filled usually by young men or women of Richmond, at salaries which no one obliged to live away from home could accept. Meanwhile, on November 16, 1914, Mr. George H. Keesee was elected assistant cashier, and later, on June 24, 1915, was made cashier of the bank. Mr. Keesee for some years previous to his selection had been connected with the Merchants National Bank of Richmond.

On July 8, 1915, Mr. Charles A. Peple was elected vice governor and Mr. W. E. Cadwallader became auditor.

The board meets on alternate Thursdays and when especially called by the chairman, the governor, or any three of its directors. Since organization there have been held 33 meetings, at which there was present 86.19 per cent of a full attendance. The board remains in session four hours at least, or, if necessary, most of a full business day. Full report is made to the board of discounts undertaken since its last meeting and other proceedings of the executive committee. The governor reports at length upon matters of interest either past or prospective, while the chairman makes the board acquainted with all matters of correspondence with the Reserve Board excepting those of strictly routine nature. The executive committee meets daily, at the time at which discount offerings can be properly classified and otherwise prepared for its attention.

EXPERIENCES IN OPERATION.

Initial payments on account of stock and reserve deposits were made substantially all in gold, of which some \$1,570,000 was in coin. So much of this coin was old and had long been held in bank-vault reserves that there was a shortage in its weight amounting to \$859, which, under the circumstances, it was thought best to permit the bank to absorb. Later payments were accepted when made in current exchange, which in clearance was at once converted into gold.

In early discount operations there was hesitancy and wide criticism on the part of the member banks of definition of eligible paper. Possibly it was fortunate that the necessities of the time practically compelled certain members to rediscount, and in doing so it was learned that the proceedings offered no really serious difficulty. As a consequence, the example of one was quickly followed by others, with the result that 226 banks (Dec. 15) which have so used the reserve bank have been highly appreciative of its aid and methods.

Clearance undertakings have been far from satisfactory. Ninety members agreed to cooperate in a plan proposed, and in doing so made a material sacrifice, in that their attitude of helpfulness was taken advantage of by competing member banks not assenting to the plan. At this writing, notwithstanding the many conferences which have been held for the purpose of solving the problem, actual clearances in a wholesale way have not been developed.

Late in November a canvass of all member banks was made, inviting comment and criticism of both the Reserve Bank and the practical working of the law. Two hundred and fifteen members responded, many at length, and the correspondence was and will be most helpful. Criticism, almost always considerate in its expression, was, when offered, directed in almost every case either to the failure to pay interest on reserve deposits or to the prospective loss of collection charges. It was evident that many such members had not properly reflected upon the relation of the two subjects, and particularly upon the bearing of the new law upon both, nor was appreciation shown in most cases, of the effect of the investment of released reserve.

RESULT OF OPERATIONS.

The first paper was accepted for discount on November 25, 1914, from a South Carolina member. The discount line gradually developed until its maximum, \$8,747,476.30, was reached on August 7, 1915. Earnings accrued slowly, and it was

not until January 16, 1915, that their total equaled charges for current expenses, while expenses of all kinds were not covered by earned discount until April 2, 1915. Not in a single instance was a loan solicited during the entire period of operation. Beginning with no productive assets and without inviting business of any kind, it is gratifying to be able to report that the bank was enabled to pay a dividend to its shareholders at the rate of 5 per cent per annum on the average of their interest in the stock of the bank during the 14 months ending December 31, 1915. It is fully realized that such result was made possible for the reason that the southern portion of the district was especially in need of the help afforded by the bank.

RATES OF DISCOUNT.

The establishment of an initial discount rate of 6 per cent was followed on December 2, 1914, by the naming of lower rates. Later, as credit became easier, it was possible further to shade prices, the rates at the close of the year being in essential harmony with those prevailing in all districts. Where slight differences are in evidence, they are due probably to a desire to meet special conditions in particular districts.

In accepting paper, the officers of the bank constantly have had in mind the standards set in the regulations of the Board. Application forms used in submitting paper for discount were prepared with the idea of obtaining very full information not only of the liability other than for deposits of an interested member bank, but of the character and value of the paper offered. Where a member reports that its advances to a single customer aggregate \$5,000 or more, a business statement of such customer is obtained, even though the reserve bank be offered only a fraction of the full amount. In passing upon the many thousands of notes handled, it has been necessary to decline some of the paper as ineligible either in its character or from the credit viewpoint of a reserve bank. Many notes have been returned for technical reasons, such as material alterations and imperfect signatures or indorsements. With very few exceptions full explanatory letters were entirely satisfactory to the members addressed, and the result has been that ineligible or imperfect papers now reach the bank in greatly diminished numbers. A preferred rate on "commodity paper," announced on September 15, 1915, had a good effect in the cotton districts, not that it immediately was employed in any material degree, but in reinforcing confidence at a moment important in the minds of those concerned in the movement of the crop. Following a softening in the price of the staple in November, there was noticed an increasing inclination to store some part of the unsold portion of the crop, the action gradually being reflected in the increasing volume of commodity paper offered the bank.

The "trade acceptance" must find its first development at manufacturing and distributing centers. At the larger points, and especially at cities in the northern half of the district, the price of credit in any form has been so low that attention has not generally been attracted to the bill of exchange as opposed to other forms of negotiable paper, as offering peculiar advantages. From varying directions, however, the bank is receiving a limited quantity of such paper, some of it on forms expressly printed to meet the requirements of the regulations. Preferred rates will develop its use, although much educational work is to be done in this connection. Since the promulgation of "open-market" regulations, little opportunity has been offered the bank to enter the field. Very few member banks in the district have accepted paper for sale, and such as has been made has been disposed of elsewhere at prices with which it was not thought wise to compete.

FEDERAL RESERVE NOTES.

The bank, while holding essentially all its assets in gold, has been filling orders from members for currency with Federal Reserve notes. In making the shipments, the bank has prepaid carriage cost and service to its members.

but at first to introduce the notes throughout the district. Notes aggregating a sum in excess of \$2,000,000 have from time to time reached the bank for redemption from the reserve banks, but the notes were again absorbed by current demands for currency.

CLEARING SYSTEM.

It is to be regretted that so little has been done in the direction of making effect the clearance clauses of the Act. Ninety member banks generously cooperated in the plan offered in April last, but the plan was ineffective in any large way and as a matter of fact worked some injustice to its adherents. It will be difficult to arrange a program looking to the handling of transit matter until reserves have all been transferred from "approved reserve agents," when member banks will better be able to understand the relation between reserve and exchange charges and of both in connection with their own items in process of liquidation. Exchange charges in the district average one-eighth of 1 per cent, or \$1.25 per thousand, either as a direct charge or the equivalent in the form of a supporting balance, while carriage rates on currency between the reserve city and member banks will not average more than 40 cents a thousand. Aside from the situation made by those members which voluntarily joined the collection system no change in exchange rates has been noted, excepting only that Richmond is now essentially a par point.

DEPUTY FEDERAL RESERVE AGENT.

The deputy Federal Reserve Agent is greatly interested not only in the success of the bank but is concerned that it shall be helpful to the banks and through them to the public. As he is rarely away from Richmond he is always available to carry out the duties of the Federal Reserve Agent when that officer occasionally is absent. It is unfortunate that the by-laws of the bank do not permit a class C director to be a member of the executive committee of three members.

RELATION OF THE RESERVE BANK TO THE BANKS OF THE DISTRICT.

The reserve bank has diligently sought to cultivate the friendliest relations with the banking institutions located in its territory. With better understanding of the law and its regulations, and particularly of its operations, came appreciation of its purposes, until now only a small minority of members are antagonistic in their attitude. Criticism when offered is almost always directed to some minor point and is as commonly expressed in considerate language. Discussion of the law has been the principal topic at meetings of bankers held in every State in the district, and at such gatherings interest in addresses delivered on the subject has been keen and sustained.

The autumn of 1914 found a great number of the banks in the fifth district overstrained to the point of danger. The aid rendered by the reserve bank, first in assisting in the reestablishment of confidence and later for the direct and material help extended by it in directions where it was sorely needed has therefore been appreciated. Liability for bills payable, rediscounts, and emergency currency were either promptly liquidated by commodity movements, facilitated by changed conditions, or in some part where desired was transferred to the reserve bank by rediscounting eligible paper which the banks learned was held by them in greater volume than at first was supposed to be the case.

IMPROVED BANKING PRACTICES.

Under the old order of things competition and carelessness led to a departure from banking rules of generally recognized importance. Banks often consented to accept imperfectly or illegally drawn papers on their faith in the assumed intent of the makers, the same unquestioning faith being further evidenced by the fact, in a very great number of cases, that the sole repository of credit information was the bank.

some single bank officer. It was believed that to ask a good customer for facts upon which intelligent judgment could be based would certainly result in loss of business. It is highly gratifying to learn that such fears were baseless and that with tactful handling it has been possible to obtain the needed information. In securing the statements member banks have many times been surprised in learning of a greater or less responsibility than they had assumed to be the case. Many banks are now collecting credit information which never before thought it desirable to do so. The reserve bank holds such statements furnished by the makers of essentially every note held by it where such note is part of a line of \$5,000 or more extended the maker by his bank. Another valuable service rendered by the reserve bank has been that its critical comment upon imperfectly drawn notes or documents has apparently led to the exercise of much greater care in their preparation.

It has been possible often to accentuate the importance of strictly observing the "excess loan" law by refusing offered notes which were part of such excess line granted by a member. Where frequently it has been noticed that members in offering paper were violating the law against excess borrowing, the loans have been granted only upon the promise that proceeds would be used in reducing or liquidating the excess.

FIDUCIARY POWERS.

In passing upon applications for the exercise of fiduciary privileges full regard is had to facts as reported in statements of condition and their related schedules, but particularly to information derived from examiners' reports. Personal knowledge of individuals and neighborhood conditions in most instances has materially assisted judgment. Two men of equal ability and sagacity engaged in banking may in different environments depart from some common or standard rule of practice and at the same time both be safe in judgment and execution.

ELECTION OF DIRECTORS.

Machinery provided for the election of directors is cumbersome, but cumulative experience will permit its use with reasonable readiness. In the election recently concluded only 65 per cent of the interested banks (those of Group I) participated in the proceedings, which resulted in the election of Mr. Henry B. Wilcox, of Baltimore, as class A director, in succession to Mr. Waldo Newcomer, who declined re-nomination, and Mr. Edmund Strudwick, of Richmond, as class B director, in succession to Mr. George J. Seay, who as governor was no longer eligible.

BUSINESS AND AGRICULTURAL CONDITIONS.

During the last four months in 1914 business of every nature in the district was in a most demoralized and in many cases a distressed condition. A great crop of cotton could not be sold at cost prices or properly financed until, with the establishment of the reserve banks in November confidence was so measurably restored. As in the district as a whole, cotton is the largest single factor in the liquidation of seasonal debts, the practical stoppage of its movement seriously affected many lines of industry. It was not until foreign commerce had been reestablished and until general business had been radically readjusted to meet changed conditions that recoveries could be noted. At first haltingly, but gradually with more certainty, the situation improved, until now it is possible to report that business in practically all lines in the fifth district is nearly, and in some instances better than, normal. The cotton crop of 1915 is being sold at excellent prices. Grains have yielded gratifying returns. Manufacturers in almost every line are now busy. Labor is fully employed. Jobbers report generous sales and order to replenish diminished stocks. Coal operators are busy. Railroad ^{increased} tonnage and correspondingly heavy earnings.

CREDIT NEEDS OF THE DISTRICT.

Financially the northern half of the district is complementary to its southern half during most of the year. Banking capital, supplemented by trade credits, is sufficient to care for its proper and normal needs. Credit is shortest in supply in the months of August and September, and as a rule is easiest immediately following the maturity of cotton in the fall.

Fourteen months ago the banks of the district were heavily committed for bills payable, rediscounts, and emergency currency. The last indicated liability long since disappeared, much of it at the time by the aid of the reserve bank. Excess bills payable were promptly reduced in the use of the same agency. Easy credit conditions now obtain throughout the district. As a matter of fact, many substantial banks have not only cared for all unusual liabilities, but have surplus funds seeking employment.

When reserves fully shall have been transferred to the reserve banks it is altogether probable that its unsupported reserves will permit it fully to care for the banking credit needs of the district.

LIST OF EXHIBITS.

Exhibit A.—Condensed statement of condition, December 31, 1915:

1. Cash on hand.
2. Cash items in transit (other Federal Reserve Banks).
3. Investments.
4. Loans and discounts.
5. Deposits and overdrafts.
6. Loans and investments and unearned discount thereon.
7. Capital stock.
8. Undivided profits.

Exhibit B.—Analysis of statements of condition, as reported by member banks, in response to call of comptroller, as of November 10, 1915 (recapitulation of):

1. Maryland.
2. District of Columbia.
3. Virginia.
4. West Virginia.
5. North Carolina.
6. South Carolina.

Exhibit C.—Maximum rates of interest paid on deposits, reported by member banks, in response to call of comptroller, as of November 10, 1915.

Exhibit D.—Loans, daily average balances (recapitulation of):

1. Hypothecated with Federal Reserve Agent.
2. Not hypothecated.
3. Diagram of balances.

Exhibit E.—Discount rates current.

Exhibit F.—Loans, distribution as to member banks accommodated.

Exhibit G.—Diagram of deposits and reserves.

Exhibit H.—Diagram of Federal Reserve notes.

Exhibit I.—Federal Reserve notes, receipts, redemptions, issues, and hypothecated collateral.

Exhibit J.—Capital stock allotments.

Exhibit K.—Earnings on loans and investments.

Exhibit L.—Analysis of expenses.

Exhibit M.—Commodity paper discounted.

Exhibit N.—Clearance operations.

Exhibit O.—Data assembled from exhibits.

SCHEDULE A1.—Cash on hand as of Dec. 31, 1915.

Description.	Location of vault.			Classification.		
	Federal Reserve Board and U. S. Treasury.	First National Bank, Richmond.	Own premises.	Gold reserves.	Legal tender, silver, etc.	Other cash.
Gold certificates (order).....	\$9,875,000.00	\$1,070,000.00	.....	\$10,945,000.00	.....	.....
Gold certificates (bearer).....	.....	3,670,000.00	\$19,000.00	3,689,000.00	.....	.....
Gold coin.....	.....	400,000.00	78,225.00	478,225.00	.....	.....
Silver certificates.....	.....	6,000.00	89,854.00	.....	\$45,084.00	.....
Silver coin.....	.....	.....	1,701.65	.....	1,701.65	.....
Legal tender notes.....	.....	41,000.00	.....	.....	52,073.00	.....
National Bank notes.....	.....	130,000.00	23,443.00	.....	.....	\$153,443.00
Federal Reserve notes.....	.....	805,000.00	53,540.00	.....	.....	858,540.00
Notes.....	.....	.....	.....	.....	.....	.....
Copper coin.....	.....	.....	.....	.....	.....	.....
Exchanges for clearing house.....	.....	.....	24,812.97	.....	.....	24,812.97
Cash items.....	.....	.....	101.00	.....	.....	101.00
Due from Treasurer of United States.....	333,500.00	.....	.....	333,500.00	.....	.....
Total (\$16,586,735.45).....	10,208,500.00	6,122,000.00	256,235.45	15,445,785.00	99,230.65	1,041,719.80

SCHEDULE A2.—Cash items in transit to other Federal Reserve Banks (unliquidated through gold settlement fund as of Dec. 31, 1915).

Federal Reserve Bank.	Federal Reserve Bank.		Federal Reserve Bank.	
	Debit balances.	Credit balances.	Debit balances.	Credit balances.
Atlanta.....	\$126,119.95	\$3,446.33	New York.....	\$1,765,550.85
Boston.....	123,298.39	254.25	Philadelphia.....	31,202,812.44
Chicago.....	380,550.86	1,203.84	St. Louis.....	656,398.42
Cleveland.....	100,660.69	789.32	San Francisco.....	354,398.13
Dallas.....	620.85	57.80	Total.....	3,045,183.15
Kansas City.....	337.65	980.00	Net debit.....	1,161,905.12
Minneapolis.....	550.90	497.34		

NOV 22 1915

Warrant of—	Date pur- chased.	No.	Dated.	Maturing.	Amount.	Discount at 3 per cent.	Proceeds.	Purchased of—
State of Georgia (common school).	1915.		1915.	1916.				Federal Reserve Bank of Atlanta.
Do.	Nov. 15	169	Oct. 30	Jan. 31	\$3,550.00	\$23.67	.....	Do.
Do.	do.	43	do.	do.	13,500.00	90.00	.....	Do.
Do.	do.	18	do.	do.	2,097.82	13.79	.....	Do.
Do.	do.	63	do.	do.	7,378.94	46.19	.....	Do.
Do.	do.	37	do.	do.	10,521.10	70.14	.....	Do.
Do.	do.	71	do.	do.	13,000.00	86.67	.....	Do.
Do.	do.	207	do.	do.	650.00	4.34	.....	Do.
Do.	do.	152	do.	do.	1,300.00	8.67	.....	Do.
Do.	Nov. 26	67	do.	do.	11,600.00	73.47	\$51,631.39	Do.
Do.	do.	41	do.	do.	2,000.00	12.67	.....	Do.
Do.	do.	203	do.	do.	3,750.00	23.76	.....	Do.
Do.	Dec. 3	140	do.	do.	5,253.90	33.27	17,240.11	Do.
Do.	Dec. 15	120	do.	do.	7,700.00	31.45	5,220.63	Do.
Do.	.....	.....	.....	.....	.....	.....	7,968.55	Do.
Total.	.....	.....	.....	.....	82,271.76	531.08	81,750.68	.....
Unearned discount, 31 days at 3 per cent.	.....	.....	.....	.....	.....	212.54	.....	.....

SCHEDULE A4.—Analysis of loans and discounts as of the close of business Dec. 31, 1915.

Classification.	Commodity.	Trade acceptances.	Bankers' acceptances.	Notes.	Total.		
					Combined.	Federal Reserve Agent.	Bank.
Bills secured by:							
Agricultural products—							
Held by the—							
Bank.....	\$308,387.55			\$18,339.94			
Federal Reserve Agent.....	2,094,781.35			36,911.36	\$2,400,246.40	\$2,135,539.00	\$324,707.49
Live stock—							
Held by the—							
Bank.....				278.10			278.10
Federal Reserve Agent.....				11,061.41	11,339.51	1,061.41	
Merchandise—							
Held by the—							
Bank.....				15,455.44			15,455.44
Federal Reserve Agent.....		5,000.00		19,400.00	29,555.44	24,400.00	
Total collateral.....	2,401,128.90	8,866.29		101,438.25	2,511,431.44	2,170,990.41	340,441.03
Bills unsecured:							
Held by the—							
Bank.....		24,968.45	\$150,000.00	905,024.17			1,080,010.62
Federal Reserve Agent.....		181,119.23		3,898,304.18	5,139,434.12	4,049,428.50	
Grand total.....	2,401,128.90	224,972.06	150,000.00	4,874,704.60	7,650,865.56	6,220,413.91	1,430,451.65
MATURITIES.							
Within 10 days.....	316,101.05	22,986.45		941,364.15	1,290,451.65		1,290,451.65
11 to 30 days.....	708,125.47	75,980.63		1,548,413.82	2,330,519.97	2,330,519.97	
31 to 60 days.....	1,043,008.10	101,153.87		1,746,114.76	2,890,316.73	2,890,316.73	
61 to 90 days.....	336,896.28	24,849.11	150,000.00	550,980.04	1,062,725.43	912,725.43	150,000.00
Over 90 days.....				77,831.83	77,831.83	77,831.83	
Grand total.....	2,401,128.90	224,972.06	150,000.00	4,874,704.60	7,650,865.56	6,220,413.91	1,430,451.65

SCHEDULE A5.—Deposits.

Member banks.		Credits.	Overdrafts.
Ledger 1.....		\$5,131,277.05	\$57,980.83
Ledger 2.....		5,906,785.59	8,793.87
Total.....		11,038,062.65	66,774.15
Treasurer of United States.....		5,049,832.97	
Cashier's checks outstanding.....		3,035.05	
Expense checks outstanding.....		306.99	
Total.....		16,091,237.66	66,774.15

SCHEDULE A6.—Loans and investments and unearned discount thereon.

	3 per cent.	3½ per cent.	4 per cent.	4½ per cent.	5 per cent.	Total.
Loans.....	\$2,551,128.90	\$151,622.67	\$1,404,446.82	\$276,007.50	\$177,659.67	\$7,650,865.56
Unearned discount.....	7,986.50	488.50	16,393.54	257.05	2,090.93	27,156.98
Warrants.....	82,271.76					82,271.76
Unearned discount.....	212.54					212.54
Total.....	2,633,400.66	151,622.67	1,420,840.36	276,007.50	177,659.67	7,733,137.32
Total.....	8,199.44	488.50	16,393.54	257.05	2,090.93	27,989.46
Net liquid values:						
Loans.....	2,543,142.00	151,134.17	1,478,033.28	275,750.45	175,628.74	7,623,708.64
Warrants.....	82,059.22					82,059.22
Total.....	2,625,201.22	151,134.17	1,478,033.28	275,750.45	175,628.74	7,705,707.86
Average unexpired term, in days, as of Dec. 31, 1915.....	32	26	34	12	92	33

EXHIBIT B.

Analysis of statements of condition as reported by member banks in response to call of comptroller as of Nov. 10, 1915.

RECAPITULATION OF SCHEDULES 1, 2, 3, 4, 5, AND 6.

Items.	Total resources.						
	Under \$100,000.	\$100,000 to \$200,000.	\$200,000 to \$300,000.	\$300,000 to \$500,000.	\$500,000 to \$2,500,000.	\$2,500,000 to \$500,000.	Over \$20,000,000.
Number of member banks.....	7	55	79	107	204	54	2
Loans and discounts.....	\$262,769.70	\$4,932,841.95	\$12,657,902.34	\$26,993,327.19	\$131,373,705.06	\$171,778,235.01	\$29,374,012.09
Bonds, securities, etc.....	29,138.49	394,946.87	1,301,943.57	2,224,364.20	14,421,405.90	23,389,044.14	2,109,892.36
Capital and surplus.....	182,200.00	1,890,200.00	3,944,000.00	7,809,200.00	37,245,350.00	53,836,720.00	6,500,000.00
Undivided profits.....	4,057.41	151,267.39	346,804.55	827,109.64	6,294,410.45	8,263,008.17	850,003.66
Deposits:							
Demand.....	219,223.96	3,395,464.38	8,308,621.40	16,964,341.18	87,411,539.61	126,273,674.95	19,881,333.84
Time.....	46,828.21	1,698,395.94	4,006,444.76	9,325,229.37	44,121,884.01	34,397,460.88	1,028,400.00
Money borrowed.....	11,490.29	202,391.76	651,451.57	2,139,188.77	7,580,228.18	4,517,995.67	.....
Liabilities of directors:							
Direct.....	43,625.96	408,396.87	870,712.19	1,962,727.31	8,127,512.68	7,664,123.65	1,246,406.07
Indirect.....	54,613.78	578,094.05	1,141,694.08	2,917,408.64	10,690,480.62	7,300,001.90	447,557.00
Eligible paper.....	147,000.00	1,566,400.00	3,863,868.44	6,478,375.46	33,105,595.27	51,551,333.56	6,064,000.00
Profit and loss accounts, 1912, 1913, and 1914:							
Earnings.....	5,913.28	299,718.59	944,689.44	1,745,808.28	8,693,167.97	11,883,146.06	1,889,864.18
Losses.....	5,178.59	10,296.82	118,202.88	1,119,046.24	1,103,398.69	1,662,413.46	151,413.14
Total resources.....	394,122.17	8,493,156.62	20,092,904.01	42,144,294.43	198,219,963.84	307,940,940.38	45,901,780.06

SCHEDULE B1.—MARYLAND.

Items.	Total resources.						
	1	9	15	20	30	13	1
Number of member banks.....	1	9	15	20	30	13	1
Loans and discounts.....	\$40,521.85	\$395,436.23	\$2,214,175.08	\$4,799,154.16	\$21,569,174.84	\$50,371,296.63	\$13,573,539.45
Bonds, securities, etc.....	17,006.26	220,563.33	922,533.75	1,389,773.69	7,722,718.53	9,148,248.98	1,629,028.76
Capital and surplus.....	30,000.00	316,000.00	676,500.00	1,457,300.00	6,106,000.00	15,596,720.00	3,500,000.00
Undivided profits.....	2,796.28	17,749.23	60,885.26	158,215.57	929,534.23	2,329,399.40	459,098.09
Deposits:							
Demand.....	16,484.55	499,630.25	1,679,656.39	2,705,970.90	14,672,360.58	20,731,313.23	9,449,128.68
Time.....	28,088.27	537,362.40	1,194,630.86	2,830,618.00	12,623,265.88	5,273,911.04	23,472,398.45
Money borrowed.....	.....	27,000.00	58,500.00	186,871.37	399,403.10	677,000.00	.....
Total resources.....	94,406.48	1,266,391.81	4,143,645.09	8,274,834.15	43,397,883.35	83,770,255.65	21,147,966.73

SCHEDULE B3.—VIRGINIA.

	2	12	26	31	50	15	1	137
Number of member banks.....								
Loans and discounts.....	888,914.45	\$1,055,948.00	\$4,450,757.89	\$8,205,241.52	\$24,070,945.23	\$57,233,601.82	\$12,800,472.64	\$117,905,884.35
Bonds, securities, etc.....	10,000.00	70,684.83	110,171.79	666,870.34	1,988,835.04	2,645,088.33	477,823.60	5,489,508.43
Capital and surplus.....	54,500.00	418,000.00	1,188,000.00	2,335,000.00	8,729,000.00	15,460,000.00	3,000,000.00	31,207,500.00
Undivided profits.....	1,988.18	15,582.70	106,324.96	270,971.91	1,421,167.85	3,231,933.30	380,907.57	5,441,876.56
Deposits:								
Demand.....	81,531.13	991,970.18	2,063,999.47	5,749,750.45	20,334,202.16	38,596,510.60	10,432,230.16	78,720,194.15
Time.....	1,845.66	100,774.51	1,387,368.70	2,242,583.10	12,613,107.10	12,217,337.95	1,028,400.00	29,591,897.22
Money borrowed.....				550,421.74	1,575,468.06	1,473,468.06		4,133,019.54
Liabilities of directors:								
Direct.....	16,004.49	73,047.33	326,338.43	476,995.06	2,025,559.64	2,033,765.85	398,904.07	5,321,614.87
Indirect.....	10,148.65	96,617.84	431,142.62	741,745.36	2,263,640.50	2,506,591.80	424,865.80	6,474,732.56
Eligible paper.....	57,000.00	429,000.00	1,466,942.19	2,751,126.46	9,462,400.00	22,861,207.84	2,084,000.00	39,113,675.49
Profit and loss accounts, 1912, 1913, and 1914:								
Earnings.....	1,898.09	48,752.89	301,118.45	654,206.75	1,914,752.17	3,700,663.91	841,396.18	7,422,737.44
Losses.....		2,879.41	28,724.46	31,576.60	223,320.90	374,302.44	59,156.37	720,020.18
Total resources.....	166,457.79	1,765,067.24	6,520,896.90	12,372,268.36	50,421,860.19	91,656,204.70	21,003,334.37	184,506,126.55

SCHEDULE B4.—WEST VIRGINIA.

	2	17	15	24	40	6	104
Number of member banks.....							
Loans and discounts.....	\$79,894.57	\$1,362,619.56	\$2,422,065.78	\$5,321,435.24	\$25,314,217.12	\$13,947,960.06	\$48,678,232.35
Bonds, securities, etc.....	2,130.21	84,894.67	213,515.21	666,494.46	1,920,966.83	1,070,019.84	3,789,621.24
Capital and surplus.....	54,200.00	574,200.00	713,000.00	1,002,500.00	6,432,600.00	4,660,000.00	13,961,500.00
Undivided profits.....	732.63	43,162.41	56,783.07	114,416.90	964,641.23	885,464.25	1,716,786.98
Deposits:							
Demand.....	80,896.42	1,079,114.56	1,708,478.71	3,875,838.24	18,848,270.98	8,844,964.53	34,146,783.44
Time.....	12,678.49	463,517.41	809,897.56	2,898,658.67	7,488,476.32	6,625,767.68	18,301,207.55
Money borrowed.....	1,460.29	69,067.80	86,281.40	186,668.78	843,167.23	162,400.00	1,845,000.20
Liabilities of directors:							
Direct.....	13,524.37	122,299.46	107,321.75	368,244.46	1,487,793.99	776,154.09	2,995,340.02
Indirect.....	21,967.68	186,111.96	562,045.58	992,045.58	2,221,508.68	1,070,183.47	4,285,998.49
Eligible paper.....	70,000.00	315,400.00	304,276.88	466,260.00	2,962,801.68	3,175,000.00	7,326,728.01
Profit and loss accounts, 1912, 1913, and 1914:							
Earnings.....	1,452.29	88,139.34	193,761.40	324,744.70	1,655,611.46	1,096,333.49	3,360,042.68
Losses.....		4,164.80	11,882.05	37,302.53	280,116.04	122,532.49	455,997.71
Total resources.....	150,318.47	2,900,593.85	3,805,807.20	8,580,130.87	39,318,164.22	22,441,380.25	77,268,304.86

Analysis of statements of condition as reported by member banks in response to call of comptroller as of Nov. 10, 1915—Continued.

SCHEDULE B4.—NORTH CAROLINA.

Items.	Total resources.						
	Under \$100,000.	\$100,000 to \$200,000.	\$200,000 to \$300,000.	\$300,000 to \$500,000.	\$500,000 to \$2,500,000.	\$2,500,000 to \$50,000,000.	Over \$50,000,000.
Number of member banks.....	1	6	11	15	43	5	81
Loans and discounts.....	\$5,824.24	\$556,426.20	\$1,681,415.01	\$3,848,700.85	\$28,900,494.05	\$11,771,420.29	\$46,664,276.84
Bonds, securities, etc.....	2,121.57	2,121.57	77,587.82	54,142.92	946,771.37	3,130,084.90	1,464,658.58
Capital and surplus.....	17,900.00	173,800.00	576,500.00	938,000.00	7,899,750.00	3,130,000.00	12,676,050.00
Undivided profits.....	14.75	41,421.25	47,351.75	96,533.70	1,598,391.38	591,912.38	2,377,626.21
Deposits.....	12,000.79	268,972.49	1,165,364.12	2,478,794.70	21,044,167.65	7,317,980.61	32,378,280.27
Demand.....	3,211.57	290,128.17	931,117.26	931,117.26	4,729,051.16	1,684,743.26	8,139,901.79
Time.....	8,789.22	66,844.32	1,234,246.86	1,547,677.44	16,315,116.49	5,633,237.35	21,694,378.48
Money borrowed.....	3,500.00	49,665.00	179,010.37	301,129.44	1,736,097.99	712,897.61	2,976,300.41
Liabilities of directors.....	.....	92,597.00	263,746.03	595,750.03	2,908,429.68	1,096,247.79	4,946,776.83
Direct.....	.....	147,000.00	475,000.00	1,117,000.00	7,579,500.00	3,475,000.00	13,793,500.00
Indirect.....	.....	.....	.....	.....	.....	.....	.....
Eligible paper.....	.....	28,090.15	204,897.64	251,052.16	2,094,284.47	914,944.32	3,489,808.74
Profit and loss accounts, 1912, 1913, and 1914.....	.....	2,377.45	46,614.21	13,417.96	254,741.88	45,407.56	371,496.06
Earnings.....	.....	858,132.22	2,827,260.28	5,872,245.14	44,330,675.65	19,731,356.69	73,665,826.82
Losses.....	.....	.....	.....	.....	.....	.....	.....
Total resources.....	36,181.84	.....	.....	.....	.....	.....	.....

SCHEDULE B4.—SOUTH CAROLINA.

Items.	Total resources.						
	Under \$100,000.	\$100,000 to \$200,000.	\$200,000 to \$300,000.	\$300,000 to \$500,000.	\$500,000 to \$2,500,000.	\$2,500,000 to \$50,000,000.	Over \$50,000,000.
Number of member banks.....	1	11	12	17	29	4	74
Loans and discounts.....	\$47,602.49	\$1,032,412.86	\$1,890,298.58	\$4,631,785.62	\$19,094,015.03	\$10,701,187.53	\$37,499,373.81
Bonds, securities, etc.....	.....	7,093.77	67,736.00	48,029.59	814,493.28	1,027,460.26	1,627,686.87
Capital and surplus.....	26,600.00	268,400.00	675,000.00	1,637,800.00	6,948,000.00	2,750,000.00	12,450,000.00
Undivided profits.....	2.97	83,320.71	73,269.51	184,873.66	1,176,739.43	797,112.46	2,260,091.80
Deposits.....	27,980.07	738,776.90	1,090,822.71	2,454,265.89	9,955,442.72	4,404,515.46	18,669,704.76
Demand.....	6,802.83	254,574.25	701,812.45	821,472.54	4,899,111.77	4,096,146.55	10,996,928.18
Time.....	10,000.00	71,966.43	209,594.39	680,326.91	1,892,276.56	1,318,371.82	4,183,093.10
Money borrowed.....	.....	89,533.98	127,148.82	361,013.02	1,426,920.36	374,266.17	2,876,980.07
Liabilities of directors.....	.....	91,861.13	105,631.07	336,086.25	1,537,779.73	452,137.74	2,527,538.38
Direct.....	.....	421,500.00	990,167.87	1,896,000.00	6,477,764.76	8,215,000.00	13,464,482.66
Indirect.....	.....	.....	.....	.....	.....	.....	.....
Eligible paper.....	1,040.72	.....	127,148.82	361,013.02	1,426,920.36	374,266.17	2,876,980.07
Profit and loss accounts, 1912, 1913, and 1914.....	7,687.41	.....	105,631.07	336,086.25	1,537,779.73	452,137.74	2,527,538.38
Earnings.....	16,000.00	.....	990,167.87	1,896,000.00	6,477,764.76	8,215,000.00	13,464,482.66
Losses.....	.....	.....	.....	.....	.....	.....	.....
Total resources.....	84,760.50	.....	.....	.....	.....	.....	.....

EXHIBIT C.

Maximum rates of interest paid on deposits, reported by member banks in response to call of comptroller as of Nov. 10, 1915.

Rates.	Maryland.		District of Columbia.		Virginia.		West Virginia.		North Carolina.		South Carolina.		Total banks.		Rates.
	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	
Not stated.....	27	18	1	1	.....	.....	.....	.....	.....	.....	.....	.....	4	4	Not stated.
None.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	143	97	None.
1 per cent.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1	1	1 per cent.
2 per cent.....	9	.....	1	.....	4	1	.....	.....	.....	.....	.....	.....	18	1	2 per cent.
2.25 per cent.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.25 per cent.
2.5 per cent.....	8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	11	.....	2.5 per cent.
3 per cent.....	30	26	10	6	2	42	.....	.....	.....	.....	.....	.....	11	.....	3 per cent.
3.125 per cent.....	.....	.....	.....	.....	55	.....	.....	.....	.....	.....	.....	.....	147	100	3.125 per cent.
3.25 per cent.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1	.....	3.25 per cent.
3.5 per cent.....	12	9	1	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	3.5 per cent.
3.75 per cent.....	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	15	12	3.75 per cent.
4 per cent.....	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	4 per cent.
4.5 per cent.....	9	42	.....	2	35	67	.....	.....	.....	.....	.....	.....	141	228	4.5 per cent.
5 per cent.....	.....	.....	.....	.....	1	1	.....	.....	.....	.....	.....	.....	6	5	5 per cent.
5.25 per cent.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	14	48	5.25 per cent.
5.5 per cent.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1	.....	5.5 per cent.
6 per cent.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6 per cent.
8 per cent.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2	10	8 per cent.
Total banks.....	98	98	14	14	137	137	104	104	81	81	74	74	508	508	Total banks.

EXHIBIT D.

Loans, daily average balances.

RECAPITULATION OF SCHEDULES D1 AND D2.

	1915						Whole period.
	1914	Nov. 16-Dec. 31.	Jan. 1-Mar. 31.	Apr. 1-June 30.	July 1-Sept. 30.	Oct. 1-Dec. 31.	Year 1915.
Collateral loans:							
Agricultural products—							
Notes.....			\$182,094	\$440,861	\$463,390	\$118,782	\$301,550
Trade acceptances.....					2,902	938	831
Commodity.....					5,304	1,138,493	288,209
Total.....			182,094	440,861	469,503	1,260,177	590,787
Live stock—Notes.....			12,896	24,265	24,271	11,110	18,145
Merchandise—							
Notes.....			4,063	11,903	23,655	20,775	15,144
Trade acceptances.....					1,195	4,946	1,548
Total.....			4,063	11,903	24,850	25,721	16,692
Total collateral loans.....			190,043	476,929	518,624	1,297,008	625,624
Unsecured:							
Notes.....	\$618,221		4,510,813	6,682,372	7,760,569	5,738,568	6,155,861
Trade acceptances.....					61,968	162,059	56,467
Bankers' acceptances.....					9,783	96,457	27,534
Total.....	618,221		4,510,813	6,682,372	7,832,319	6,000,084	6,239,862
Grand total.....	618,221		4,709,856	7,059,301	8,350,943	7,297,092	6,865,486
Classification:							
Notes.....	618,221		4,709,856	7,059,301	8,271,871	5,889,235	6,490,700
Trade acceptances.....					63,966	166,907	58,938
Bankers' acceptances.....					9,783	96,457	27,534
Commodity.....					5,304	1,138,493	288,209
Grand total.....	618,221		4,709,856	7,059,301	8,350,943	7,297,092	6,865,486

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BALANCES.

	Collateral loans:								
Agricultural products—									
Notes.....		\$71,864		\$294,675	\$328,454	891,439	\$197,025	\$174,547	
Trade acceptances.....					4,046	2,902	206,623	770	
Commodity.....						1,083,753		236,207	
Total.....		71,864		294,675	333,046	1,148,094	464,515	411,534	
Live stock—Notes.....		10,048		16,537	20,948	8,995	14,148	12,534	
Merchandise—									
Notes.....		250		7,295	18,051	18,099	10,985	9,731	
Trade acceptances.....					1,142	4,946	1,534	1,359	
Total.....		250		7,295	19,193	23,015	12,519	11,090	
Total collateral loans.....		82,162		318,507	373,187	1,180,104	491,182	435,148	
Unsecured:									
Notes.....	\$404,473	2,021,921		4,678,072	6,217,454	4,594,300	4,382,463	3,928,663	
Trade acceptances.....					51,402	127,562	30,993	20,993	
Commodity.....					9,782	51,087	15,342	13,582	
Total.....	404,473	2,021,921		4,678,072	6,278,638	4,742,949	4,442,914	3,962,218	
Notes.....	404,473	2,104,083		4,996,579	6,651,825	5,923,053	4,984,096	4,417,366	
Trade acceptances.....									
Commodity.....									
Total.....	404,473	2,104,083		4,996,579	6,651,825	5,923,053	4,984,096	4,417,366	
Notes.....									
Trade acceptances.....									
Commodity.....									
Total.....	404,473	2,104,083		4,996,579	6,651,825	5,923,053	4,984,096	4,417,366	

Loans, daily average balance—Continued.
 SCHEDULE D2.—LOANS NOT HYPOTHECATED, DAILY AVERAGE BALANCES.

	1914					1915					Whole period.	
	Nov. 16-Dec. 31.	Jan. 1-Mar. 31.	Apr. 1-June 30.	July 1-Sept. 30.	Oct. 1-Dec. 31.	Year 1915.						
Collateral loans:												
Agricultural products—												
Notes.....		\$110,280	\$146,186	\$134,928	\$27,943	\$104,827						\$92,008
Trade acceptances.....				278		61						19,268
Commodity.....				1,288	84,740	21,678						
Total.....		110,280	146,186	135,487	112,683	126,573						111,887
Live stock—Notes.....		2,838	7,728	3,323	2,115	3,997						3,841
Merchandise—												
Notes.....		3,813	4,508	5,604	2,706	4,189						3,984
Trade acceptances.....				83		14						13
Total.....		3,813	4,508	5,687	2,706	4,173						3,998
Total collateral loans.....		116,881	158,422	145,437	116,904	134,442						119,104
Unsecured:												
Notes.....	\$213,748	2,488,892	1,904,300	1,543,115	1,174,268	1,773,396						1,695,479
Trade acceptances.....				10,566	84,497	11,368						10,135
Bankers' acceptances.....					46,370	12,192						10,800
Total.....	213,748	2,488,892	1,904,300	1,553,681	1,267,135	1,796,946						1,716,341
Grand total.....	213,748	2,608,778	2,062,722	1,669,118	1,374,039	1,931,390						1,735,445
Classification:												
Notes.....	213,748	2,608,778	2,062,722	1,686,904	1,300,432	1,896,061						1,695,307
Trade acceptances.....				10,890	84,497	11,441						10,135
Bankers' acceptances.....					46,370	12,192						10,800
Commodity.....				1,288	84,740	21,678						19,268
Grand total.....	213,748	2,608,778	2,062,722	1,699,118	1,374,039	1,931,390						1,735,445

Loans, daily average balance—Continued.

SCHEDULE D3.—LOANS AND INVESTMENTS.

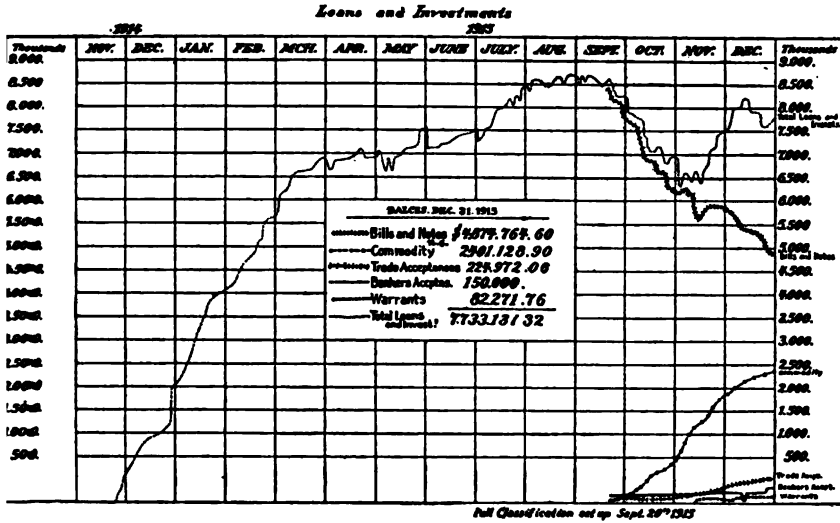


EXHIBIT F.

Loans distributed as to member banks accommodated.

[T—transactions; B—banks.]

1914.				1915.										Balance under discount, Dec. 31, 1915.					
Nov. 16-Dec. 31.				Jan. 1-Mar. 31.			Apr. 1-June 30.			July 1-Sept. 30.			Oct. 1-Dec. 31.			Total period.			
B.	T.	Amount.		B.	T.	Amount.	B.	T.	Amount.	B.	T.	Amount.	B.		T.	Amount.	B.	T.	Amount.
1	1	\$25,610.00		1	3	\$77,843.82	3	12	\$136,703.73	6	21	\$196,232.89	8	25	\$263,432.32	11	62	\$699,822.76	
2	2	254,706.10		2	6	390,719.71	1	3	312,128.77	1	1	184,305.95	5	263	2,491,980.58	17	17	1,583,223.51	
3	3	131,233.51		42	153	2,597,380.20	51	275	2,504,607.93	60	366	3,154,176.27	15	148	1,456,388.45	72	1,081	11,456,388.45	
4	4	1,023,923.06		45	291	4,332,096.41	49	361	3,371,399.54	58	410	4,008,632.85	46	400	4,225,656.57	26	1,527	16,979,578.46	
5	5	658,431.41		42	225	3,178,678.55	48	356	3,931,086.58	52	364	3,917,098.40	48	359	4,001,488.12	57	1,371	15,686,783.06	
6	6	2,184,747.05		141	712	10,726,261.49	169	1,056	10,751,327.71	183	1,215	11,965,184.52	172	1,109	11,698,567.02	226	4,231	147,326,117.79	
7	7															2 68	148	2,184,747.05	
8	8															2296	4,083	145,141,370.74	

EXHIBIT G.

Net Deposits and Reserves

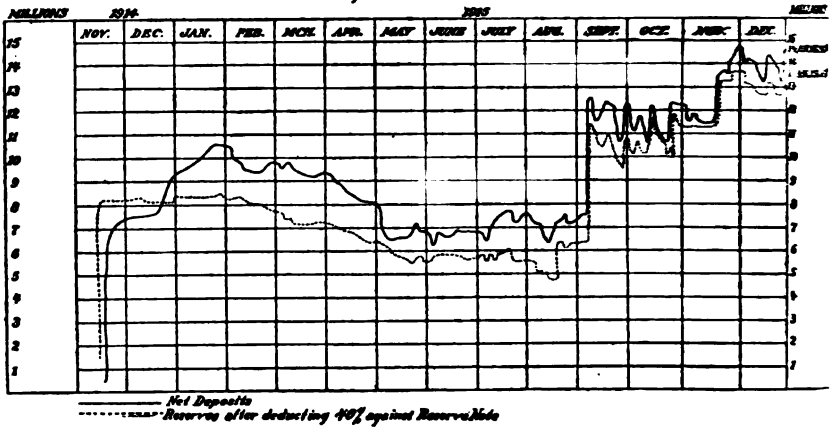


EXHIBIT H.

Federal Reserve Notes

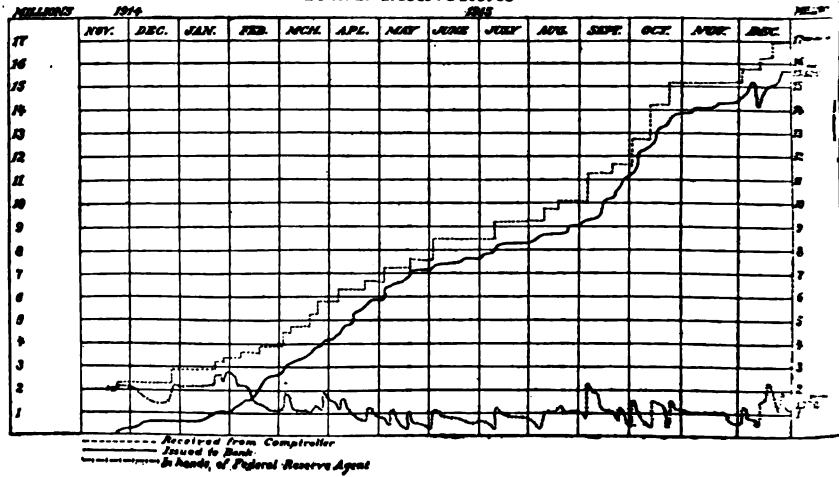


EXHIBIT I.

Federal Reserve notes (receipts, redemptions, issues, and hypothecated collateral therefor).

Period.	Units (denominations).					Total.		Loans hypothecated.		Gold received for redemption of Federal Reserve notes.
	\$5	\$10	\$20	\$50	\$100	Pieces.	Values.	Received.	Delivered.	
Nov. 16-Dec. 31, 1914:										
Received from comptroller.....	280,000	60,000	48,000			388,000	\$2,980,000			
Issued to bank.....	48,000	28,000	16,000			87,000	700,000		\$146,646.07	
Jan. 1-Mar. 31, 1915:										
Received from comptroller.....		60,000	24,000	20,000	8,000	112,000	2,880,000			
Issued to bank.....		76,000	46,500	14,000	3,100	262,600	3,310,000	6,026,436.01	2,713,966.12	
Apr. 1-June 30, 1915:										
Received from comptroller.....	100,000	72,000	48,000	8,000		228,000	2,580,000			
Issued to bank.....	184,000	73,000	51,500	14,000	2,700	325,200	3,660,000	9,147,228.48	7,926,760.74	\$2,560,000
July 1-Sept. 30, 1915:										
Received from comptroller.....	220,000	100,000	44,000	8,000		372,000	3,380,000			
Issued to bank.....	224,000	121,000	42,000	3,400	700	391,100	3,410,000	12,269,811.57	10,966,220.86	2,060,000
Oct. 1-Dec. 31, 1915:										
Received from comptroller.....	360,000	196,000	72,000			628,000	5,200,000			
Issued to bank.....	368,000	207,000	78,000	1,600	200	644,800	5,320,000	11,067,963.86	12,066,466.00	6,000,000
Notes received from bank—gold in redemption.....	23,000	20,000	17,000	5,200	1,400	68,600	1,060,000			1,060,000
Total to Dec. 31, 1915:										
Received from comptroller.....	940,000	488,000	266,000	36,000	8,000	1,728,000	17,000,000	40,048,485.69	33,826,071.78	
Issued to bank.....	23,000	20,000	17,000	5,200	1,400	68,600	1,060,000			
Notes received from bank (redeemed).....										
Total received.....	963,000	508,000	283,000	41,200	9,400	1,793,600	18,060,000			
Issued to bank.....	938,000	496,000	264,000	33,000	6,700	1,710,700	16,680,000		115,630,000.00	9,560,000
Federal Reserve Agent.....	44,000	9,000	19,000	8,200	2,700	82,900	1,370,000	6,220,413.91		9,560,000

1 Net issue of notes to bank.

EXHIBIT J.
Capital stock allotments.

	Maryland.		District of Columbia.		Virginia.		West Virginia.		North Carolina.		South Carolina.		Total.	
	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.
Original allotment of October, 1914 (addenda inclusive).....	101	16,606	14	7,856	134	18,181	107	8,589	74	7,344	57	6,099	487	64,675
Additional allotments on increased capital or surplus.....		637		76		653		268		130		164		1,928
Reductions on decreased capital or surplus.....		14				51		26		183		4		1,168
Net of original members.....		17,229		7,932		18,813		8,851		7,351		6,259		66,415
Allotments to new members.....					5	202	4	137	8	310	17	1,244	34	1,913
Cancellations—members liquidating.....	5	531			3	834	2	379	1	80			8	1,864
Transfers to Cleveland district.....							6	319					6	319
Net balances Dec. 31, 1915.....	98	16,908	14	7,932	137	18,781	104	8,390	81	7,631	74	7,503	508	67,146

EXHIBIT K.

Earnings on loans, including municipal warrants and bankers' acceptances purchased.

Period.	Paper handled.		Daily averages. ¹			Discount.			Extra earnings on loans.			Total earnings.
	Pieces.	Amount.	Pieces.	Balance.	Rate (earned).	Collected.	Rebated.	Earned.	From minimum charges.	From anticipated payments.	From rebates at lower rates.	
1914.												
Jan. 31.....	1,327	\$2,184,747.05	28	\$618,221.00	5.8450	\$17,657.87		\$4,717.68	\$5.51	\$6.31	.....	\$4,729.50
1915.												
Jan. 31.....	5,809	10,763,252.84	64	4,721,944.00	5.0003	79,920.63	552.13	59,044.86	14.46	61.85	\$31.19	59,152.26
Feb. 29.....	8,089	10,751,327.71	89	7,080,383.00	4.6449	92,615.24	562.07	82,898.26	7.85	32.35	12.23	82,940.68
Mar. 30.....	8,788	11,065,184.52	95	8,350,946.00	4.4753	85,110.48	768.68	95,531.71	39.18	70.46	53.05	95,694.40
Apr. 30.....	7,745	11,790,838.78	84	7,330,156.00	4.0756	73,905.83	847.33	76,346.66	42.81	135.47	44.28	76,590.22
May 31.....												
June 30.....												
July 31.....												
Aug. 31.....												
Sept. 30.....												
Oct. 31.....												
Nov. 30.....												
Dec. 31.....												
Total for 1915.	30,441	45,280,403.85	83	6,877,078.00	4.5008	331,552.18	2,740.21	313,821.49	104.30	300.13	140.74	314,366.66
Total for 1914 and 1915.	31,768	47,445,350.90	77	6,163,081.00	4.5161	349,210.05	2,744.43	318,539.17	109.81	306.44	140.74	319,096.16

¹ Based upon number of days actually elapsed.

EXHIBIT L.
Analysis of expenses.

	1915					Total cal- endar year 1915.	Total.	
	1914	Jan. 1-Mar. 31.	Apr. 1-June 30.	July 1-Sept. 30.	Oct. 1-Dec. 31.		Nov. 16-Dec. 31, 1914.	Nov. 16, 1914- Dec. 31, 1915.
Current:								
Federal Advisory Counsel.....	\$47.70	\$25.16	\$10.44	\$10.09	\$28.90	\$68.59	\$47.70	\$134.29
Assessment Federal Reserve Board expenses.....	920.00	61.00	1,800.00	3,354.90	3,354.90	6,709.80	920.00	6,709.80
Directors' fees.....	62.50	437.50		503.62	1,060.00	3,200.00	62.50	4,180.00
Legal.....								1,003.62
Salaries—								
Officers.....	4,783.32	6,032.06	5,687.49	6,883.29	7,374.95	25,977.70	4,783.32	30,761.11
Clerical staff.....	2,561.46	4,738.97	5,433.31	6,412.07	8,153.83	24,738.18	2,561.46	27,297.64
Watchmen.....	20.00	208.44	400.00	200.00	100.02	1,028.46	20.00	1,048.46
Other.....	183.50	350.00	300.00	306.25	456.25	1,596.50	183.50	1,570.00
Traveling expenses—								
Directors.....	742.38	90.03	710.57	378.47	772.00	1,951.07	742.38	2,893.45
Officers and clerks.....	70.50		179.02	68.70	205.98	564.70	70.50	534.20
Federal Reserve Agents' conferences.....		67.73			134.03	201.76		201.76
Governors' conferences.....		318.79		257.72	155.78	550.98		573.15
Per diem allowances, directors.....	670.00	90.00	790.00	380.00	620.00	1,880.00	670.00	2,550.00
Telephone.....	41.66	82.11	71.61	73.24	78.81	305.77	41.66	347.43
Telegraph.....	72.01	120.57	28.32	24.73	95.08	270.70	72.01	342.71
Postage.....	367.19	501.28	638.88	668.25	1,072.52	2,910.93	367.19	3,278.12
Expressage.....	208.98	919.75	1,114.34	779.28	645.20	2,712.23	208.98	2,921.21
Rent (including outside vaults).....	891.66	464.59	2,125.00	1,000.00	2,233.33	5,822.92	891.66	6,714.59
Fidelity Insurance.....	103.47	831.38	64.62	16.54	949.70	1,862.24	103.47	1,965.71
Light, heat, and power.....	71.83	180.69	130.00	90.76	270.65	672.10	71.83	743.93
Printing and stationery.....	311.61	613.69	598.56	1,492.66	1,243.80	4,038.80	311.61	4,350.41
Repairs and alterations.....	285.71	885.63	579.91	44.06	20.55	1,780.15	285.71	2,065.86
Miscellaneous.....	320.84	478.10	780.66	645.94	1,487.64	1,677.97	320.84	1,998.81
Total.....	12,790.60	17,503.47	21,867.44	24,441.57	28,203.28	91,519.78	12,790.60	104,810.45
Organization:								
Carried from current.....	6,485.98	5,139.70	386.24			5,426.94	6,485.98	12,011.92
General expenses Federal Reserve Board.....	2,311.10	9,241.74				9,241.74	2,311.10	11,553.66
TOTAL.....	8,797.17	14,381.44	386.24			14,728.68	8,797.17	23,565.58

ASSETS	VALUES OF UNDEPRECIATED PORTION (asset carried forward)									
Net expense.....	9, 219.54	2, 345.64								
Equipment.....	821.07	4, 033.57	5, 945.07	582.53	465.25	11, 027.43	821.07			
Less asset carried forward.....		3, 500.00	5, 500.00	250.00	250.00	9, 500.00				
Depreciation.....	821.07	533.57	445.07	332.53	216.25	1, 527.43	821.07			
Total expense.....	31, 628.47	34, 770.12	22, 198.75	25, 916.00	30, 112.28	113, 996.24	31, 628.47			

² Distribution as to periods is arbitrary.

: Adjustment of exchange, etc., on Federal Reserve notes from Washington.

EXHIBIT M.

Commodity paper handled to Dec. 31, 1915.

	Pieces.	Rate.	Amount.	Collateral (per cent on loan)
September.....	46	3	\$96,084.00	1
October.....	286	3	364,431.17	1
November.....	826	3	1,323,398.32	1
December.....	501	3	897,644.72	1
Total.....	1,659	3	2,881,498.21	1

NOTE.—Average of loans to bale, \$43.51.

EXHIBIT N.

Clearance operations.

Number of members in collection system, Dec. 31, 1915.....

Maryland.....	
District of Columbia.....	
Virginia.....	
West Virginia.....	
North Carolina.....	
South Carolina.....	

OPERATIONS OF THE CLEARANCE SYSTEM SINCE ITS ESTABLISHMENT, JUNE 8.

	On Richmond.	Other Federal reserve cities.	Country.	Total
Items.....	67,385	13,670	498,091	579,146
Daily average.....	290	79	2,321	2,990
Amount.....	\$82,496,600	\$76,896,000	\$78,494,700	\$237,887,300
Daily average.....	\$476,800	\$444,500	\$453,700	\$1,375,000

The department has a manager and five assistants.

Direct cost of operation since June 8, 1915 (salaries, postage, and stationery), \$3,500.

Average cost per item handled, six-tenths of 1 cent, exclusive of bookkeeping and overhead data.

EXHIBIT O.

Data assembled from exhibits.

Gross resources of member banks.....	\$613,225.00
Amount of paper discounted (including warrants).....	\$47,446.00
Number of notes discounted.....	17,730
Total loans and investments Dec. 31, 1915.....	\$7,730,000.00
Average loan line during period of operation.....	\$6,132,225.00
Average per cent discount rate charged.....	4.75
Average maturity in days of all paper now in discount line.....	45
Commodity paper discounted, all on cotton (66,222 bales).....	\$2,881,498.21
Number of member banks granted discounts.....	4
Number of accepted offerings.....	4
Number of banks in clearance system.....	1
Average number items daily.....	2,990
Average amount cleared daily.....	\$1,375,000.00
Items cleared since June 8, 1915.....	579,146
Aggregate amount of items cleared.....	\$237,887.30
Officers.....	
Other employees.....	
Total.....	

DISTRICT NO. 6—ATLANTA.

M. B. WELLBORN, Chairman and Federal Reserve Agent.

OFFICE OF FEDERAL RESERVE AGENT.

As chairman of the board of directors and Federal Reserve Agent since the opening of the bank, on November 16, 1914, my entire time has been devoted to the duties of my office. I have been assisted in the general routine work of the office by my secretary, Mr. Jos. M. Slattery.

In addition to receiving collateral incident to the issuance of Federal Reserve notes, work is occasioned by deposits of gold to reduce liability for outstanding circulation; and on account of the large amount of agricultural paper handled, with cotton receipts attached, there is a daily transaction in substitution of collateral, necessitated by the sales of cotton and withdrawal of cotton receipts pledged.

The total note issue of our bank up to this date, December 31, 1915, amounts to \$18,950,000, and by comparison with the issue of other Federal Reserve Banks it is second in amount, and stands first in amount, taking into consideration the proportion of our capital stock to that of other Federal Reserve Banks. This proportionately large issue of our bank is due to the fact that a great deal of currency is required for use in moving the cotton crop, which currency prior to the establishment of the Federal Reserve Bank was obtained by the member banks from reserve cities. Our bank being within a short distance of each member bank, the difference in the cost of shipping, either by mail or express, constitutes quite a saving in expense and also a great convenience, since the banks are able to get the currency in much less time.

Against the issue of Federal Reserve notes I am holding \$4,751,245.69 in collateral, being commercial paper rediscounted by the member banks with the Federal Reserve Bank of Atlanta. In addition to this collateral the Federal Reserve Board holds to the credit of the Federal Reserve Agent at Atlanta \$14,200,000 in gold transferred from the gold settlement fund.

EARLY ORGANIZATION OF THE BANK.

At the organization of the bank, owing to the depression throughout the United States due to the European war, business within the sixth Federal reserve district was almost paralyzed; the cotton crop was in process of marketing, and Europe, no longer a purchaser, had previously absorbed more than one-half of this product. The banks and merchants were, of course, unable to make their usual collections, and business was in a chaotic state. The decision of the Federal Reserve Board to have the Federal Reserve Banks open for business on November 16, 1914, greatly restored confidence, so that by the time the Federal Reserve Bank of Atlanta opened, the member banks did not find it necessary to offer us rediscounts to any great extent. In addition thereto, the member banks in our district had obtained Aldrich-Vreeland emergency currency to the extent of \$22,000,000, and had taken advantage of the lower rates offered by the banks in the large financial centers, as the result of the establishment of the Federal reserve system.

The physical organization of the Federal Reserve Bank was similar to that of any other pioneer movement, and consisted simply in working out the details as they presented themselves. The \$22,000,000 of Aldrich-Vreeland currency obtained by the member banks of this district had served to tide over the credit necessities of the district for several months prior to the opening of our bank. The difficulties experienced in the early operation of the Federal Reserve Bank were due largely to lack of a thorough knowledge of the intent and meaning of the Federal Reserve Act and of the class of paper eligible for rediscount. The solution of these problems involved much correspondence with the member banks. Another question involved was the difficulty in obtaining uniform warehouse receipts and insurance sufficiently specific to identify the product pledged. This problem has been practically solved.

At points of concentration where the movement of cotton is too rapid to permit of the deposit of receipts with this bank, custodians have been appointed, under adequate bond, to hold and exchange the securities supporting paper rediscounted with this bank. The prevailing custom of loans to cotton merchants on demand paper gave rise to the necessity of rebating on paper withdrawn before maturity, in order to allow the unhampered sale of the commodity previously pledged.

The effect of the work of the Federal Reserve Bank has been to reduce the rate of rediscount; to give the member banks the assurance of a place of rediscount at reasonable rates, and the knowledge that they could obtain currency when needed. It has stabilized the value of the commodities of the district; the quality of loans by member banks is much improved; bankers are requiring better paper—paper that will be liquidated at maturity—with a view to eligibility at the Federal Reserve Bank.

Of the member banks in the district 49 are borrowing from their correspondents and have not applied for rediscount with this bank. To these banks I address the following letter:

"In analyzing the credit needs and conditions of member banks in this district we notice from your last report of condition to the comptroller that you are using outside funds.

"Inasmuch as you have never availed yourselves of the rediscount facilities of the Federal Reserve Bank of Atlanta, we are anxious to ascertain if there be any special reason for your not allowing this institution to serve you in this capacity.

"We are desirous of having the thorough cooperation of the member banks, and would be glad to have a frank expression from you along this line."

With one exception, nearly all of the banks to whom the above letter was addressed express no dissatisfaction with the Federal Reserve Bank. Some state they prefer to borrow in New York, as heretofore, believing it involves less trouble, while others say they can obtain a lower rate in New York than they can with us, the one exception stating that the Federal Reserve Bank should, in their opinion, accept paper of all character when offered by a member bank.

INTERNAL ORGANIZATION OF THE BANK.

A complete set of by-laws was adopted by our board of directors at its first meeting, a copy of which is hereto attached. By referring to the powers and duties of the executive committee, it will be noted that the management or administration of the bank is largely left with this committee. The said committee is composed of the governor, who is chairman of the committee, the Federal Reserve Agent, and two directors. The directors serve in monthly rotation, being selected by the board of directors at its regular monthly meetings. Thus the governor of the bank and the Federal Reserve Agent are in continuous service on the bank. The executive committee meets daily for the purpose of carrying out the work of the bank. This work is done by the Federal Reserve Agent and the directors.

offered by member banks. When the director serving on the committee lives some distance out of town and is unable to attend the daily meetings of the executive committee, he usually selects a director who lives in Atlanta, or very close by, to act in his stead.

The official staff of the bank is composed of the following:

	Salary.
Governor.....	\$9,000
Secretary (acts only at board meetings).....	1 25
Deputy secretary ²	
Cashier.....	3,600
Assistant cashier.....	2,500
Manager credit bureau.....	2,400
Auditor.....	2,400
Discount clerk.....	1,800

The discount clerk has a staff of clerks with salaries ranging from \$480 to \$1,200 per annum.

Including this staff of clerks and officers, the total number of employees is 27. Our bank having to handle so large a number of rediscounts, the force is constantly at work, frequently into the night, during the autumn and winter seasons.

DEPUTY FEDERAL RESERVE AGENT.

When it is necessary for the Federal Reserve Agent in Atlanta to be absent from the city for a week or more, he so advises the deputy Federal Reserve Agent, in writing, requesting him to serve in the interim as Federal Reserve Agent. For such services he is allowed the same compensation, per diem, as that received by the Federal Reserve Agent.

Other than this, the deputy Federal Reserve Agent in Atlanta has no specific duties, and receives no compensation, except the duties and compensation of a regular director, serving as a member of the board of directors and as a member of the executive committee.

DEPUTY GOVERNOR.

At the time of the organization of this bank a deputy governor was elected to serve without compensation, but in view of the ruling of the Federal Reserve Board as to the ineligibility of member bank officials serving as deputy governor of this bank, our board of directors, at their meeting on June 11, 1915, in accepting the resignation of the deputy governor, voted not to select a deputy governor (an active deputy governor being unnecessary); and further voted that the director serving on the executive committee, each month, be designated governor pro tempore and to act as governor during the absence of the governor of the bank. For such services, as governor, he receives the same compensation allowed the governor.

BOARD OF DIRECTORS.

The board of directors meets once a month, and during the first year of the board's existence it was found necessary to remain in session two consecutive days at each meeting; but beginning with the second year a session of one day's duration has been found sufficient. While the class A and class B directors are in closer touch with the viewpoint and affairs of the member banks, the class C directors are no less attentive to the welfare of the banking interests of the district, and, their positions being ~~apparently~~ ^{actually} act with a little more independence than the other directors.

² Secretary receives a salary as secretary to the Federal Reserve Agent.

EXECUTIVE COMMITTEE.

LOANS AND DISCOUNTS.

In the early days of the operation of our bank it was feared that some difficulty would be experienced in handling the rediscounts offered by member banks—a fear relieved by experience. The executive committee, in handling the offerings of constantly borrowing banks, are as considerate of them as is consistent with safety and prudence; but notes are frequently returned for various reasons, the most prominent of which are:

- I. Ineligibility.
- II. A too distant maturity.
- III. Continued renewal.
- IV. Poor mercantile ratings, or other unfavorable information.
- V. A too liberal line of credit extended to customer.

The Federal Reserve Bank of Atlanta has, since its opening, discounted 22,011 pieces of paper amounting to \$32,882,671.12. This large volume of discounts necessarily requires close and steady work, as our executive committee examines carefully each day the condition of the borrowing banks, and each piece of paper offered for rediscount; also the volume of the member bank's transactions with the Federal Reserve Bank of Atlanta, including the average balance maintained, date of the first offering, maximum accommodation extended, date of liquidation, if any, maximum accommodation subsequently extended, amount outstanding, proportion of paper secured by collateral, and pending maturities.

This bank has not deemed it wise, except at its New Orleans branch, to engage in open market operations to any great extent, as we have had, at all times, a fairly full line of discounts, this being, in our opinion, the primary object of the law—to first accommodate the member banks in extending to them rediscounting privileges. It is our intention, however, to go into the open market for business whenever our loanable funds are idle, in order to take care of current expenses and make our rates effective when it becomes necessary.

DIVISION OF WORK—GOVERNOR AND FEDERAL RESERVE AGENT.

The division of work in this bank between the governor and the Federal Reserve Agent is rather evenly balanced, both giving their entire time to the business of the institution. While it is generally understood that the operation of the bank is under the management of the governor, still, in practice, this is not exclusively true. The by-laws of the bank provide, under article 2, section 2, paragraph H, that to the executive committee is delegated the power "in general to conduct the business of the bank subject to the supervision and control of the board of directors." As chairman of the board of directors, I am necessarily a regular member of the executive committee and am, therefore, called upon to participate in the joint management of the bank. These duties, in addition to attending to the correspondence with the Federal Reserve Board, and having custody of the Federal Reserve notes and collateral deposited with me to secure the issuance thereof, add largely to the contemplated duties of the Federal Reserve Agent. The duties of the Federal Reserve Agent at Atlanta have been further increased by the establishment of the branch bank in New Orleans. Relations existing between the governor and Federal Reserve Agent are most pleasant and agreeable.

POWERS OF TRUSTEE, EXECUTOR, ADMINISTRATOR, AND REGISTRAR OF STOCKS AND BONDS.

In recommending that permission be granted to applying member banks to act as trustee, executor, administrator, and registrar of stocks and bonds, we have adopted the plan of presenting such applications to the board of directors at its regular monthly meetings. As chairman of the board of directors, I obtain as a preliminary all the information available from the chief bank examiner for the district and other sources and present same to the board of directors with the application. If acted upon favorably, the application is forwarded to your board, accompanied by such information as we have obtained, with the recommendation that it be granted.

CLEARING SYSTEM.

Our bank has earnestly endeavored to cooperate with the Federal Reserve Board in putting into effect the voluntary clearing system proposed by your Board, but the result has not been satisfactory.

The system was inaugurated on April 10, 1915, membership was voluntary, and items were received only from those banks which agreed to permit their accounts to be charged with checks on themselves, subject to final payment. The system began operation with 67 members, 15 joining later, and 9 withdrawing, leaving a present membership of 73, of which 21 are located in reserve cities.

The number of items handled daily has averaged 440, of which 207 have been on banks in the district outside of Atlanta, 204 on banks in Atlanta, and 29 on banks in other Federal reserve districts. The principal objections raised by the member banks are: (1) They can not anticipate the drawings, hence the difficulty of maintaining their reserves when checks are charged to their accounts; (2) they object to giving up exchange charges, which it has been their custom to make; (3) owing to the limited number of points covered, none being outside the district other than Federal reserve cities, the volume of items they send in for credit must, of necessity, be small; (4) since the Federal Reserve Banks will not accept their checks on nonmember banks, which are in the majority in this district, balances must be maintained with reserve correspondents, in order to have such items collected.

The effect of the system has not been to reduce exchange charges, either by the banks themselves or by the two country clearing houses in the district, Atlanta and Nashville. The charges in this district run from \$1.50 to \$2 per \$1,000, the average being \$1.63 per \$1,000 for the entire district.

The Federal Reserve Bank of Atlanta receives from its members, at par, subject to deferred credit, exchange on points outside of the district. It also makes transfers, by mail, outside the district without cost, and pays checks on itself coming from other districts, without charge, provided the volume of exchange deposited by any member bank during the current month equals the amount of the transfers made for that bank and incoming checks from other Federal Reserve Banks. The charge on the difference, if any, is based on the cost of shipping currency to the gold fund to cover, provided such shipments have to be made. We have not endeavored to make a profit on our exchange transactions, believing we should give this service to our members without cost, provided we can so do without loss to ourselves.

ATTITUDE OF STATE BANKS.

A canvass of the attitude of the State bankers toward the Federal Reserve System develops the fact that while every thoughtful State banker fully realizes that the system to which he has in no way contributed has been indirectly of great benefit to his institution, he is hesitant about joining a system of which his ideas are more or less vague. He is familiar with the limitations of the State laws under which he operates,

but unfamiliar with the National Bank and Federal Reserve Acts and in many cases exaggerates the extent of their requirements. The State banks are accustomed to transact business at fixed rates of interest and are not in sympathy with any movement which may tend to decrease their profits through changes in interest rates, and, further, it will no doubt be difficult to engage the attention of the majority of State bankers so long as the period of easy money continues.

BUSINESS CONDITIONS OF THE SIXTH FEDERAL RESERVE DISTRICT.

At the time of the inauguration of the Federal Reserve System the general business conditions of the district were undergoing a most demoralizing depression, and especially was this true in agricultural lines. The South had produced the largest cotton crop in its history and a correspondingly small grain crop; the cotton exchanges were closed, exports cut off, causing a depreciation in value until the market price was below the cost of production and trade in our main staple almost at a standstill.

The establishment of the Federal Reserve Bank and its public announcement that it intended to lend all the assistance within its power to aid the producers was the strongest factor in dispelling the gloom and doubt. In this work the Federal Reserve Bank had the hearty cooperation of the member banks of the district.

The unusual conditions caused a holding back of the 1914 crop and the marketing of it in the late winter and spring of 1914-15, thereby necessitating the most rigid economy, especially among the agricultural element of our population. Such conditions brought most forcefully to the mind of the Southern farmer the imperative need of crop diversification, with the result that the 1915 crops showed an increase of approximately 70,000,000 bushels in corn, wheat, and oats, with an increase in the rice crop of approximately 5,000,000 bushels, with more cattle and hogs than any previous season, and for the first time the cotton crop of the South may be classed to some extent as a "surplus-money crop." The decrease of approximately 5,000,000 bales in the 1915 crop and the establishment of a 3 per cent commodity rate to member banks for money loaned to the farmers at 6 per cent were the strong elements in causing and maintaining the favorable prices of cotton, and the commodity rate has been especially effective in the holding and marketing of the crop.

The tobacco growers of both Tennessee and Florida were compelled to carry over a greater portion of their 1914 crop on account of difficulty in delivery and high ocean rates, and to the producers of this commodity the Federal Reserve Bank has rendered valuable aid in assisting them to hold their crop for a more favorable market.

The iron industry has received a strong impetus within the past few months and the movement in this and kindred industries is stronger than for several years past. Activity is general throughout the district, covering a multiplicity of lines, and business conditions appear exceedingly bright.

ESTABLISHMENT OF A BRANCH BANK OF THE FEDERAL RESERVE BANK OF ATLANTA AT NEW ORLEANS, LA.

The policy of the board of directors of this bank was not favorable to the establishment of branch banks until we had thoroughly developed the business of the parent bank. In view of the commercial importance of New Orleans and its distance from Atlanta (approximately 500 miles) the board of directors decided to recommend to the Federal Reserve Board the establishment of a branch at New Orleans, to be known as the New Orleans Branch of the Federal Reserve Bank of Atlanta.

The branch bank was opened for business on September 10, 1915. Its territory comprises that part of the sixth district in the States of Louisiana and Mississippi, and the banks in the County of Mobile, Ala. The expenses of the branch bank at New Orleans for the first year's operation are guaranteed by the member banks in the city of New Orleans.

A duplicate of the accounting system of the Atlanta bank is used in the New Orleans branch, and the auditor of the Federal Reserve Bank of Atlanta and the examiners for the Federal Reserve Board make periodical examinations of its accounts. Daily reports are made to the Federal Reserve Bank of Atlanta, with copies to the Federal Reserve Board. On Friday of each week the statements of the branch are telegraphed to Atlanta and incorporated in the weekly statement of the Federal Reserve Bank of Atlanta.

As Federal Reserve Agent, I appointed a "representative of the Federal Reserve Agent, at New Orleans," to represent me in transactions involving the issuance of Federal reserve notes, which action was approved by the board of directors of the New Orleans branch and the Federal Reserve Board.

Upon my request to the Board, the Comptroller of the Currency deposits Federal reserve notes with the Assistant United States Treasurer at New Orleans, subject to the order of the Comptroller of the Currency. Upon notice from my representative at New Orleans that collateral has been deposited, an order for Federal reserve notes is forwarded to the Federal Reserve Board and transmitted to the Assistant United States Treasurer at New Orleans, who delivers the Federal reserve notes to the manager of the New Orleans branch. My representative handles only the collateral and records incident to the transactions.

CREDIT NEEDS OF THE DISTRICT.

The ability of the Federal Reserve Bank and of the southern banking organizations to move the cotton crop and to properly finance the preparation of cattle for the market has demonstrated that the long anticipated relief from seasonal financial pressure has been realized. The great progress in diversification of crops for the past two seasons clearly indicates the willing response to broadening effort, this response being limited only by the great need of an adequate supply of capital to prepare for and finance the improvements necessary to profitably grow and market crops which have heretofore been grown to a limited extent only.

Iron and steel industries have no lack of funds for current needs, including the movement of their products and to finance reasonable extensions and for improvements. The naval-stores industry has suffered severely for the whole season for lack of necessary funds. This is a peculiar industry in that the greater part of operating capital is expended in labor; therefore, while the result can be accurately forecast, this expenditure is not represented by tangible assets which can be made the basis for financial negotiations. The industry is sadly in need of some kind of coalition and organization that would tend to stabilize prices and promote confidence in financial circles. The rapidly diminishing area adaptable to the production of these articles and the increasing foreign and domestic normal demand indicate that this industry should be conserved if this country is to receive the returns to which it is entitled from what has been and is still a natural and valuable asset. The lumber industry is in better financial position, and for the immediate future appears to be in a fair position so far as the sale of the product is concerned, but has suffered severely for a period running back to the depression in 1907, during which time billions of feet of valuable timber have been manufactured and sold without profit. Any comprehensive plan of conserving the wealth of our natural resources should by all means include some feasible plan of finance which would enable manufacturers to keep their timber supply inactive during periods of slack demand and low prices, rather than to follow the present system of exhausting this valuable asset to cover carrying charges. The prominent distinction between such industries and agriculture and mining is that agricultural products are produced seasonally, and new mineral deposits are constantly discovered, adding to the already tremendous known quantity of that source of wealth,

with the fair assurance that yet undiscovered mines will place the probability of exhaustion far remote; while on the other hand the timber area is known, the amount fairly accurately determined, and the end of an important industry foreseen. All of which clearly points to the necessity of a careful study of the wasting of this resource through press of necessity occasioned by lack of capital and credit.

The immediate and crying need of the district is financial encouragement for enterprises. Money is plentiful for established demand, but any attempt to promote new activity or even to reestablish lines of effort which have been idle through the past depressions meets with little or no encouragement. Although everywhere are seen the essentials of prosperity, there appears to be a strong undercurrent of uneasiness and disbelief in its solidity or permanency. Under these conditions substantial progress, of course, is impossible. What stimulus is necessary to a resumption of normal and progressive enterprise is not apparent unless it be the allaying of uncertainty regarding the outcome of the European war and of an unanalyzed, yet ever present fear of the remote possibility that our own Nation may become involved therein.

EARNINGS OF NATIONAL BANKS OF SIXTH DISTRICT.

A résumé of the earnings of the national banks of this district presents a most interesting subject which the general public has had little opportunity to examine at about which an almost universal mistaken idea exists. That the net earnings of the banks of the district fall short of the returns accruing to other lines employing similar capital and energy has, of course, been well known to those whose life work has been along this line of activity. But in the mind of the general public there exists an impression so greatly at variance with the facts that a wide publicity and a clearer understanding of the comparatively meager profits realized would no doubt do much to create a closer and more sympathetic relation between the banks of the district and their customers. Moreover, in view of the fundamental and sweeping changes in our financial structure contemplated and effected by the Federal Reserve Act, a clearer and more appreciative general understanding of the difficulties attending upon the operations of the banking business is highly desirable, if not almost essential to the purpose of securing the full measure of cooperation necessary to effect the broad and salutary reforms for which this system was designed.

The following tabulated analysis of earnings is arranged in groups according to invested capital (i. e., capital, surplus, and undivided profits):

Invested capital:	Net earnings
Less than \$50,000.....	per cent. 6.1
\$50,000 to \$100,000.....	do. 7.2
\$100,000 to \$200,000.....	do. 8.3
\$200,000 to \$300,000.....	do. 7.8
\$300,000 to \$500,000.....	do. 6.2
\$500,000 to \$1,000,000.....	do. 6.2
Over \$1,000,000.....	do. 7.6

I might add, in conclusion, that the policy of the bank has been to issue as much Federal reserve notes as possible and to put up gold with the Federal Reserve Act to reduce outstanding liability. In this manner the Federal Reserve Bank has been able to accumulate gold, which the officers of the bank believe is the correct policy to pursue. It is thought highly desirable that ultimately our bank have on hand only gold and gold certificates and put Federal reserve notes out for circulation into the channels of commerce.

BY-LAWS OF THE FEDERAL RESERVE BANK OF ATLANTA.

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every second Thursday at 1 o'clock p. m., or if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors, or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A, B, or C; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

The executive committee shall be four in number, and the term of service for executive committee members shall be three months, with rotation.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made by the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor. In case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tempore. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore, or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and all certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall open for business from 9 o'clock to 4 o'clock on each day, except Sundays or days or parts of days established as legal holidays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendments shall have been delivered to each member at least 10 days prior to such meeting.

DISTRICT NO. 7—CHICAGO.

C. H. BOSWORTH, Chairman and Federal Reserve Agent.

OFFICERS AND DIRECTORS.

Directors:

Class A.	George M. Reynolds, ¹ Chicago, Ill.....	Dec. 31, 1918
	Jas. B. Forgan, Chicago, Ill.....	Dec. 31, 1916
	E. L. Johnson, Waterloo, Iowa.....	Dec. 31, 1917
Class B.	A. H. Vogel, ¹ Milwaukee, Wis.....	Dec. 31, 1918
	Henry B. Joy, Detroit, Mich.....	Dec. 31, 1916
	M. B. Hutchison, Ottumwa, Iowa.....	Dec. 31, 1917
Class C.	E. T. Meredith, ² Des Moines, Iowa.....	Dec. 31, 1918
	C. H. Bosworth, Chicago, Ill.....	Dec. 31, 1916
	W. F. McLallen, Columbia City, Ind.....	Dec. 31, 1917

Officers:

C. H. Bosworth, chairman of the board and Federal Reserve Agent.
W. F. McLallen, deputy chairman, etc., and secretary.
James B. McDougal, governor.
C. R. McKay, deputy governor.
B. G. McCloud, cashier.
S. B. Cramer, acting auditor.

Member advisory council: Jas. B. Forgan.

The Federal Reserve Act was approved by the President December 23, 1913. The organization committee proceeded promptly to divide the country into districts and to conduct the election of class A and class B directors. The announcement of class C directors of the Federal Reserve Bank of Chicago was made on October 7, and the first meeting of directors of the Reserve Bank of Chicago was held at the rooms of the Chicago Clearing House Association on October 13, 1914.

A meeting at Washington of all the directors of all of the banks with the Federal Reserve Board was called for October 20, and at that meeting it was agreed that all the banks could open for business on November 16, although the time for organization was necessarily short.

A call for the payment on November 2 of the first installment of subscriptions to the capital stock of the Federal Reserve Banks was issued by the Federal Reserve Board, and on October 25 the Secretary of the Treasury stated that he had determined to announce on November 16, 1914, the establishment of the Federal Reserve Banks in all the Federal reserve districts, and on October 28 the Federal Reserve Board advised the member banks to arrange to transfer the required reserves to the new banks on that date. All the national banks in this district except two became members.

Mr. F. A. Delano, Vice Governor of the Federal Reserve Board, was present at the first meeting of the board of directors of the Federal Reserve Bank of Chicago. At his meeting the directors classified themselves into one, two, and three year terms and took up the selection of quarters and the election of officers.

The full board, with one exception, attended the joint conference at Washington on October 20; on ~~that date~~ a second meeting was held on October 23, and at this

¹ Reappointed for three years.

meeting a seal was selected, by-laws adopted, an executive committee named, the governor appointed, and the executive committee ordered to canvass all available sites for quarters for the bank.

Up to and including November 16, 1914, four directors' meetings and eight executive committee meetings were held, all officers appointed, quarters selected, and on the designated date the Federal Reserve Bank of Chicago opened for business at Clark and Monroe Streets.

The following telegrams were exchanged between the Secretary of the Treasury and the bank:

WASHINGTON, D. C., November 16, 1914

C. H. BOSWORTH,
Federal Reserve Agent, Chicago, Ill.

Please accept my cordial congratulations upon the opening of the Federal Reserve Bank of your district and my sincere commendation upon the effective work you have done in preparing the bank for business in the short time allowed for the opening. I am sure that the Federal Reserve Banks will serve a great and beneficent purpose in the future of our country, and I am sure that this department and the Federal Reserve Board may count upon your loyal cooperation in the important work and duties which have been confided to you. My hearty good wishes for your success.

W. G. McADOO

CHICAGO, November 16, 1914

Hon. W. G. McADOO,
Chairman Federal Reserve Board, Washington, D. C.

Allow us to extend our congratulations to you and your associates on the Federal Reserve Board upon the successful opening of the district banks. We are pleased to announce that the Federal Reserve Bank of Chicago opened on time at 10 o'clock this morning fully prepared to perform the functions required of it. On behalf of ourselves and all the directors of this institution we have to say that you may count upon our loyal cooperation in this important work.

J. B. McDUGAL, Governor.
C. H. BOSWORTH, Chairman

ACTIVITIES OF THE BOARD OF DIRECTORS.

When the bank was organizing, directors' meetings were frequent and held at the call of the chairman. During 1915, however, a regular monthly meeting has been held, satisfactory, as a very full report of executive committee proceedings is sent out to the directors every week. Since organization, there have been 17 directors' meetings and 80 executive committee meetings. Upon different occasions members of the Federal Reserve Board have visited the bank and have attended directors' meetings. Five directors, residents of Chicago, with the governor as chairman, constitute the executive committee. At the beginning this committee met from three to four times a week. After January 8, 1915, two, and since June 25, 1915, one meeting per week has been sufficient. Occasionally one or more of the out-of-town directors have met with the committee.

The committee reviews the acts of the officers in the matter of rediscounts for member banks and the purchase of acceptances and other investments and passes upon current questions of policy, methods, and procedure, subject to ratification by the board of directors. The directors approve or disapprove of the acts of the executive committee, receive reports from the officers, determine interest and discount rates in general, perform the functions ordinarily exercised by boards of directors.

BUSINESS AND BANKING CONDITIONS DURING THIS PERIOD.

The Federal Reserve Bank of Chicago was opened just as business was beginning to recover from the shock occasioned by the declaration of war in Europe. After November 16, 1914, the steadying and quieting influence of the Federal reserve system began to be felt and a quick reduction began in the high rates of interest then prevailing.

Early in August Aldrich-Vreeland currency had been applied for by the currency associations located in this district to the amount of \$38,198,490, and the Federal

Moines, and Chicago banks had issued clearing-house certificates. About the time this bank was organized the banks began to redeem their Aldrich-Vreeland currency and to retire their clearing-house certificates. By January 1, 1915, a better tone was apparent. Member banks were discounting with the reserve bank to the extent of \$3,000,000, almost all of which was from large city banks. This amount gradually dwindled to \$760,000 on the 1st of May, practically all coming from smaller country banks. There was a plethora of money in the banks, but business was still timid and sensitive to war reports, and weather conditions all over the United States were unusually unfavorable to growing crops.

Between May and September crop prospects improved until there was a practical certainty of a record production; so-called war orders began to make themselves felt; railroads began necessary betterment work and the buying of additional equipment; and lumber and the building trades began to take on life, except in Chicago, where the strikes caused a complete tie-up in building operations until July. During this third quarter of the year bank deposits continued abnormally high and interest rates unusually low.

The marketing of crops was delayed until well into the last quarter of the year. A considerable per cent of the corn crop was damaged by early frosts and is now being fed to stock, resulting in increased loans to farmers by country banks and in the member banks rediscounting with the Federal Reserve Bank to the extent, at this date, of a little over \$3,000,000. Illustrating the solid character of commercial and manufacturing activities, advices from the steel and iron trade show increasing demand and the output is almost all for domestic requirements. Railroads are showing heavy increases in earnings. General business conditions and seasonable weather are favorable to a much greater volume of merchandising, both wholesale and retail, than a year ago. Deposits in Chicago banks increased over \$40,000,000 between the Comptroller's calls of September 2 and November 10, 1915.

Confidence in the immediate future is evidenced by the large expenditures undertaken for the purpose of enlarging outputs and the steady buying of retailers to replace or enlarge depleted stocks. Money rates are low and bank deposits are still increasing.

CHARACTER OF DISCOUNTING.

The first discounting with the Federal Reserve Bank of Chicago by member banks was done by several of the large Chicago banks and was largely complimentary and for the purpose of blazing the way and setting an example.

Later on, some discounting was undertaken for the purpose of enabling the members borrowing to retire Aldrich-Vreeland currency. From the latter part of December, 1914, to March, 1915, much of the discounting was from Iowa, Illinois, and Indiana banks, and was due to local emergencies caused by the hoof-and-mouth disease. Later, in 1915, some discounting has been occasioned by the poor and unmarketable quality of the corn crop in certain sections of the district. In addition to this there has been more or less continuous discounting in a small way due to the individual requirements of a number of the country banks.

MEETINGS AND ORGANIZATION OF FEDERAL RESERVE AGENTS.

A conference of all the 12 Federal Reserve Agents was called by the Board and was held in the Treasury Building, Washington, February 1 to 6, 1915, at which many subjects were discussed.

A second conference was called and held at Washington November 4 to 6, 1915. At both conferences joint sessions with the Federal Reserve Board were held. At the November conference a permanent organization was effected and an executive committee appointed. The executive committee met in joint conference with the executive committee of the governors of reserve banks at Washington November 17, 1915.

FEDERAL RESERVE NOTE-ISSUING CAPACITY AND POLICY OF THE BANK.

Taking the statement of the bank of December 1, 1915, and after setting aside the required 35 per cent reserve against deposits, the bank had left \$27,697,106 gold reserve applicable to a Federal Reserve note issue. The gold reserve required by the law against a note issue is 40 per cent. This \$27,697,106 would therefore sustain a Federal Reserve note issue of \$69,242,765. The Federal Reserve Board is authorized to reduce this reserve requirement, so that the note-issuing capacity of the bank could readily be extended to a sum in excess of \$100,000,000.

It is the policy of the bank to issue Federal Reserve notes freely where conditions and circumstances make it necessary. Up to the present time it has had no occasion to issue Federal Reserve notes except for the purpose of familiarizing member banks and the public with the new form of currency. While \$4,380,000 in notes has been issued, the issue was quickly covered with gold of equal amount deposited with the Federal Reserve Agent, thus producing no expansion.

UNITED STATES BOND-SECURED CURRENCY.

Under the Act the Federal Reserve Banks are authorized to deposit United States Government bonds having the circulation privilege and to receive from the Comptroller of the Currency circulating notes, which shall be issued and redeemed under the same terms and conditions as national-bank notes, except that they are not limited to the amount of the capital stock of the bank issuing them. This bank has had printed \$2,560,000 of such bond-secured notes, ready for issue. None have been issued up to date. This currency is available, however, in case of emergency. It would also be available in case of rediscounting with us by another Federal Reserve Bank, where currency shipment to the other bank was necessary, as Federal Reserve notes could not be used for this purpose, the law not allowing one Federal Reserve Bank to pay for the Federal Reserve notes issued by another bank, except under a heavy penalty.

FEDERAL RESERVE BANK AS FISCAL AGENT OF THE UNITED STATES GOVERNMENT.

On November 23, 1915, the Secretary of the Treasury announced that he had determined to appoint the Federal Reserve Banks depositaries and fiscal agents of the United States on January 1, 1916. The deposits of all officers of the Government in the city of Chicago now made with the national banks of that city at present designated as United States depositaries will be made with the Federal Reserve Bank, with the exception of post-office funds and the deposits to the credit of a United States officer and its officers, and the Federal Reserve Bank will be required to cash all Government warrants and checks drawn on the Treasurer of the United States which may be presented to it in the same manner and to the same extent as the national-bank depositaries are now required to honor such checks. The amount held by the national-bank depositaries in Chicago to the credit of the Treasurer of the United States at the close of business December 31, 1915, will be transferred to the Federal Reserve Bank; this amount is approximately \$1,000,000 at present.

ELECTION OF DIRECTORS.

The terms of one class A and one class B director expire on December 31, 1915. An election to choose their successors was held in November, resulting in the reelection of both of the old directors. The term of one class C director expired on December 31, 1915, and he has been reappointed by the Federal Reserve Board for three years.

TRUSTEE POWERS TO NATIONAL BANKS.

Up to December 1, 1915, special permits have been granted by the Federal Reserve Board to national banks in the seventh district to act as trustees in not in contravention of State laws, as follows: To 20 national banks in Illinois; to 11 in Iowa; to 8 in Michigan, and to 4 in

MEMBERSHIP OF STATE BANKS.

Recognizing that a unified banking system, embracing in its membership the well-managed banks of the country, small and large, State and National, is the aim of the Federal Reserve Act, the Federal Reserve Board issued on June 7, 1915, its Circular No. 14 providing for membership of State banks in the system. The regulations were made as liberal as possible and even provided a method by which State banks which joined might withdraw—a privilege not accorded by the Act to the national banks.

Two State banks—the Bank of Wisconsin, Madison, Wis., and the Central Trust Company of Illinois, Chicago, Ill.,—joined the system at its inception.

Since then the following State banks have become members:

Commercial & Savings Bank, Albion, Mich.

Elmhurst State Bank, Elmhurst, Ill.

Commercial Trust & Savings Bank, Joliet, Ill.

Badger State Bank, Milwaukee, Wis.

Fruit Growers State Bank, Saugatuck, Mich.

THE INTERNAL ORGANIZATION AND PERSONNEL OF THE BANK.

The directors of the three classes being men of wide experience, from the small as well as the large cities, compose an able and efficient board, fairly representing all interests, including banking, commercial, industrial, and agricultural. The executive officers of the bank were taken from the banking activities of the community, where each has had years of practical experience. The heads of the various departments and other employees came from active positions in various banks, where they received the practical training essential to the best service. The various departments are now fully organized and equipped and in readiness for increasing activities, whatever they may be.

RATES OF DISCOUNT.

Discount rates naturally are influenced by prevailing conditions, and in naming rates it is the policy of the bank to carefully consider the general business situation. Should the demands be sufficient to absorb a considerable amount of the bank's resources, it is the policy of the board of directors immediately to reconsider the established rates with a view to advancing them if advisable. On the other hand, should conditions be such as to indicate that the established rates are excessive, due consideration will be given to a readjustment downward.

DISCOUNTING.

It is the policy of the bank to lend liberal assistance to deserving banks for seasonal or emergency purposes, and, on the other hand, to discourage any tendency toward over-expansion. From the outset the officers have undertaken by correspondence and by personal interview to familiarize member banks with the procedure in discounting, which has been made as simple and expeditious as possible, all unnecessary formality being eliminated.

OPEN-MARKET OPERATIONS TO DECEMBER 31, 1915.

Open-market transactions to date have been confined to the purchase of Government bonds, short-time municipal warrants, and bankers' acceptances. The total of bankers' acceptances purchased is \$5,782,002.03, represented by bills drawn against exports or imports and accepted by banking institutions of known responsibility. The total of municipal obligations purchased is \$7,713,901.59, represented by warrants and bonds issued by 44 municipalities in various States, of maturities ranging from 16 days to 6 months. The total of United States bonds purchased is \$4,231,000, all carrying the circulation privilege as follows: \$2,525,000 United States 2 per cent bonds and \$1,706,000, 3 per cent, the threes being due and payable in 1918.

THE CHECK-COLLECTION SYSTEM.

On November 16, 1914, the date this bank opened for business, it installed a collection system by taking from member banks for immediate credit checks drawn by member banks on member banks located in Chicago and the seven reserve cities of this district. On December 3, 1914, the collection service was enlarged to include all items drawn on member banks located in Chicago and the seven reserve cities in this district.

On December 16, 1914, the bank began taking checks drawn upon all of the Federal Reserve Banks for immediate credit. This was a temporary arrangement and subject to revision at such time as a permanent plan for clearing between Federal Reserve Banks could be agreed upon. On April 7, 1915, the member banks were advised that a voluntary intradistrict collection system would be established and that items would be received for immediate credit at par from such banks as joined the collection system, provided they were drawn upon banks which were members of the collection system. On June 10, 1915, the voluntary intradistrict collection system was put into effect.

On June 15, 1915, the bank began receiving items on all the Chicago clearing-house banks from member banks whether they had joined the collection system or not, and in addition checks and drafts on Federal Reserve Banks located in Boston, New York, Philadelphia, and St. Louis for immediate credit at par except when the amounts exceeded \$10,000, in which case it reserved the right at its option to receive the items at the market rate for exchange on the cities mentioned. Checks on other Federal Reserve Banks which were previously received for immediate credit at par were then received on a deferred-credit basis of from one to four days, in accordance with the schedule of deferred credits approved by the Federal Reserve Board. Besides receiving the above items from member banks, whether they had joined the collection system or not, it began on June 14, 1915, receiving from member banks that are members of the collection system checks and drafts on member banks located in Boston, New York, Philadelphia, and St. Louis for immediate credit at par, reserving the right at its option to receive these items at the market rate for exchange on the cities when the amounts exceeded \$10,000.

No further changes in the collection system have been made up to date. The development of the check-collecting function has proved the most difficult problem confronting the management of the bank.

OPERATIONS OF CHECK-COLLECTING SYSTEM.

From November 16, 1914, to December 3, 1914, drafts drawn by member banks on reserve and central reserve city banks in district No. 7 were cleared as shown below:

AVERAGE PER DAY.

Number of items:		Amount:	
City.....	7	City.....	\$125.0
Country.....	89	Country.....	63.6
Total.....	96	Total.....	188.6

From December 3 to December 16 all checks drawn on member banks in reserve and central reserve cities of district No. 7 were cleared as shown below.

AVERAGE PER DAY.

Number of items:		Amount:	
City.....	793	City.....	99.0
Country.....	2,262	Country.....	4.4
Total.....	3,055	Total.....	1

From December 16 to June 10 all checks drawn on member banks in reserve and central reserve cities of district No. 7 and checks drawn on all other Federal Reserve Banks were cleared as follows:

Average per day.

Date.	Number of Items.				Amount.			
	City.	Country.	Other Federal Reserve Banks.	Total.	City.	Country.	Other Federal Reserve Banks.	Total.
December 16-30.....	893	2,463	10	3,366	\$962,000	\$700,000	\$525,000	\$2,217,000
January.....	911	3,256	25	4,192	1,004,000	1,315,000	720,000	3,049,000
February.....	715	3,289	33	4,017	1,243,000	1,144,000	734,000	3,121,000
March.....	763	3,202	39	4,004	1,675,000	1,430,000	649,000	3,754,000
April.....	704	3,262	48	4,014	1,436,000	1,064,000	666,000	3,166,000
May.....	730	3,198	43	3,971	1,377,000	962,000	735,000	3,074,000
June 1-10.....	768	3,305	49	4,122	1,454,000	1,395,000	1,434,000	4,283,000

From June 10 to December 31 all checks drawn on member banks of district No. 7 which have joined collection system, checks on members of Chicago Clearing House Association, checks on all other Federal Reserve Banks, and checks on member banks in Boston, New York, Philadelphia, and St. Louis were cleared as follows:

Average per day.

Date.	Number of Items.				Amount.			
	City.	Country.	Other Federal Reserve Banks.	Total.	City.	Country.	Other Federal Reserve Banks.	Total.
June 10-30.....	944	4,953	50	5,947	\$1,616,000	\$967,000	\$958,000	\$3,561,000
July.....	1,669	5,715	61	7,445	1,843,000	1,125,000	721,000	3,689,000
August.....	1,699	5,695	64	7,458	1,793,000	1,155,000	515,000	3,463,000
September.....	1,981	6,477	82	8,540	2,121,000	1,353,000	1,225,000	4,699,000
October.....	2,212	7,752	94	10,058	2,964,000	1,752,000	1,212,000	5,928,000
November.....	2,348	7,916	95	10,304	3,462,000	1,952,000	1,509,000	6,923,000
December.....	2,472	8,384	108	10,964	3,725,000	1,963,000	2,037,000	7,745,000

ITEMS AND AMOUNT HANDLED.

From November 16, 1914, to December 31, 1915, the check-collection department has handled, without charge to the member banks, 2,122,405 items, the sum total amount of which was \$1,303,629,563.43.

EXCHANGE AND COLLECTION CHARGES ON CHECKS IN THIS DISTRICT.

Exchange charges in this district are not excessive, being rarely over \$1 per \$1,000. In Illinois about 50 per cent of the member banks remit at par. The rates of the banks which charge run from 25 cents to \$1 per \$1,000. In Indiana possibly 15 per cent of the banks remit to their Chicago correspondents at par. The rates of the banks which charge run from about 50 cents to \$1 per \$1,000, and in some instances as high as \$1.25 per \$1,000. In Iowa about 25 per cent remit at par, the remainder charging about \$1 per \$1,000. In Michigan and Wisconsin there are very few par points, as nearly all banks charge \$1 per \$1,000. Outside of the banks which have joined the collection system very few reductions in exchange charges have been made. There are a few agreeing to remit at the rate of 10 cents per letter charge. In St. Louis has been no reduction to any extent of exchange charges on collection system.

IMPORTANCE OF THE BANK TO THE COMMUNITY.

Notwithstanding the relatively small demands on most of them for either credit or currency, the Federal Reserve Banks have performed an important function: the creating of confidence and in stabilizing the financial structure of the country. During the several very critical periods this year the system fully demonstrated its worth, inspiring confidence and banishing fear, and forestalling panic from the mere fact of its existence.

ATTITUDE TOWARD MEMBER BANKS.

The Federal Reserve Bank of Chicago belongs to its members. They have furnished the entire capitalization and are the sole depositors; they have elected six of the nine directors, and the directors in turn have elected all the officers of the bank except the chairman of the board. The attitude toward member banks is one of cordial cooperation for the purpose of securing for them and through them for the business community and the public every advantage intended and possible under the Act.

TABLE A.—Federal Reserve notes.

[Figures at close of business Dec. 31, 1915.]

Total Federal Reserve notes printed for this bank.....	\$60,000.00
Held in Washington ready for shipment.....	\$50,620,000
Held by Federal Reserve Agent (new notes).....	4,660,000
Issued to bank	4,720,000
Outstanding in circulation, secured by deposit of gold with Federal Reserve Agent.....	60,000.00
Returned by bank for cancellation and destruction.....	4,380.00
Notes of other Federal Reserve Banks redeemed and returned to issuing bank.....	340.00
Our notes returned to us by other Federal Reserve Banks.....	1,077.00
	174.00

TABLE B.—Comparative statement of investments—semimonthly.

Date.	Bills discounted, members.	Bills discounted, bought.	United States bonds.	Investments.	Total.
1914.					
Nov. 18.....	\$1,000,000.00				\$1,000,000.00
Dec. 1.....	2,602,108.08				2,602,108.08
15.....	3,161,780.11				3,161,780.11
1915.					
Jan. 2.....	2,667,074.44		\$555,000.00		3,222,074.44
15.....	2,078,148.58		925,000.00	\$1,000,000.00	4,003,148.58
Feb. 1.....	1,572,045.30		2,025,000.00	1,525,000.00	5,122,045.30
15.....	1,089,216.98		2,875,000.00	1,530,000.00	5,494,216.98
Mar. 1.....	787,581.60	\$189,864.74	3,375,000.00	2,330,000.00	6,582,446.34
15.....	955,771.23	967,783.60	3,500,000.00	2,330,000.00	7,753,554.83
Apr. 1.....	996,048.62	1,412,589.24	3,525,000.00	2,499,500.00	8,433,137.10
15.....	813,940.71	1,589,849.24	3,525,000.00	2,633,500.00	8,562,099.19
May 1.....	761,534.17	1,537,128.54	3,525,000.00	2,931,500.00	8,755,162.25
15.....	804,180.51	1,064,680.30	3,525,000.00	3,241,500.00	8,635,360.81
June 1.....	902,374.22	678,535.84	3,625,000.00	3,306,500.00	8,512,410.00
15.....	1,063,580.41	617,245.94	3,725,000.00	1,222,500.00	6,628,326.39
July 1.....	1,240,794.93	394,676.50	3,725,000.00	1,437,000.00	6,797,471.43
15.....	1,475,786.28	275,485.60	3,725,000.00	1,690,500.00	7,166,771.88
Aug. 2.....	1,453,923.41	533,499.54	3,725,000.00	2,028,000.00	7,740,422.95
16.....	1,284,777.02	717,380.78	3,825,000.00	2,075,000.00	8,902,157.80
Sept. 1.....	1,161,970.85	1,119,435.92	3,951,000.00	2,922,404.46	9,154,801.23
15.....	1,280,298.23	1,379,196.06	3,959,500.00	2,932,772.09	9,551,766.38
Oct. 1.....	1,576,061.96	1,551,563.30	3,985,000.00	2,984,679.35	10,100,204.61
15.....	1,832,551.39	1,527,493.64	4,006,000.00	2,970,489.35	10,336,534.38
Nov. 1.....	2,379,036.86	1,531,815.86	4,031,000.00	2,664,313.77	10,606,166.49
15.....	2,780,309.36	1,625,302.85	4,062,000.00	2,422,163.77	10,890,220.83
Dec. 1.....	2,973,487.23	1,521,971.13	4,090,000.00	1,001,898.87	9,587,357.23
15.....	3,433,273.29	1,487,119.87	4,260,000.00	1,482,253.37	10,662,646.53

TABLE C.—Record of discount rates.

Effective—	Maturities up to 30 days.	Maturities up to 60 days.	Maturities up to 90 days.	Maturities over 90 days.
1914.	Per cent.	Per cent.	Per cent.	Per cent.
Nov. 14.....	6	6	6	6
Dec. 1.....	5½	6	6	6
Dec. 16.....	5	5½	6	6
1915.				
Jan. 1.....	4½	5	5½	6
Jan. 23.....	4	4	4½	5
Dec. 11 (special rate of 3½ per cent on 10-day paper).....				

TABLE D.—Showing totals for the district of capital, surplus, demand deposits, time deposits, total resources, borrowed money, and paper eligible for rediscount with the Federal Reserve Bank of Chicago as shown by the reports to the Comptroller of the Currency Nov. 10, 1915.

	Central Reserve cities.	Reserve cities.	Country banks.	Total.
Capital.....	\$47,300,000.00	\$25,000,000.00	\$72,202,000.00	\$144,502,000.00
Surplus.....	27,560,000.00	11,610,000.00	37,770,000.00	76,940,000.00
Individual demand deposits ¹	290,836,000.00	130,438,000.00	309,275,000.00	730,549,000.00
Individual time deposits ¹	19,549,000.00	24,852,000.00	177,259,000.00	221,660,000.00
Total resources.....	698,007,000.00	290,159,000.00	737,363,000.00	1,725,529,000.00
Money borrowed.....	400,000.00	226,000.00	8,128,000.00	8,754,000.00
Paper eligible for rediscount.....	125,847,000.00	40,549,000.00	104,083,000.00	270,479,000.00

¹ Bank deposits omitted.

The total of "Paper eligible for rediscount" does not reflect the true condition, as great many of the member banks did not report under this heading.

TABLE E.—Capital stock subscriptions as of Dec. 31, 1915.

Central reserve city banks.....	\$4,488,000
Reserve city banks.....	2,195,700
Country banks.....	6,605,500
Total.....	13,289,200

TABLE F.—Showing reserve required to be deposited with Federal Reserve Bank of Chicago Dec. 1, 1915, figured from the Comptroller's call of Nov. 10, 1915, and compared with actual balances as shown by books on Dec. 1, 1915.

	Reserves car- ried with Federal Re- serve Bank.	Reserves re- quired to be carried with Federal Re- serve Bank.	Excess re- serves.
Central reserve city banks.....	\$34,174,300	\$31,777,500	\$2,396,800
Reserve city banks.....	5,568,700	6,031,900	1,463,200
Country banks.....	12,400,200	11,950,500	449,700
Total.....	52,143,200	49,760,900	2,377,300

290 ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

TABLE G.—Discount department operations Nov. 16, 1914, to Dec. 31, 1914.

[116 applications for discount approved at 4 per cent to 6 per cent from 78 member banks.]

	Reserve cities.		Country.	
	Banks.	Amount.	Banks.	Amount.
Illinois.....	17	\$4,207,350.00	15	\$142,150.00
Indiana.....	1	108,782.86	17	224,000.00
Iowa.....	1	30,500.00	29	358,000.00
Michigan.....	2	125,000.00	2	150,000.00
Wisconsin.....			4	62,500.00
Total.....	11	4,471,632.86	67	908,150.00

¹ Central reserve city.

TABLE H.—Discount department operations Jan. 1, 1915, to Dec. 31, 1915.

[1,049 applications for discount from 143 member banks approved at rates varying from 4 per cent to 6 per cent.]

	Reserve cities.		Country.	
	Banks.	Amount.	Banks.	Amount.
Illinois.....	13	\$1,442,618.68	33	\$1,631,300.00
Indiana.....			21	1,328,000.00
Iowa.....	2	158,000.00	76	4,260,000.00
Michigan.....			5	206,000.00
Wisconsin.....			3	209,000.00
Total.....	5	1,600,618.68	138	7,638,300.00

¹ Central reserve city.

DISTRICT NO. 8—ST. LOUIS.

WILLIAM McC. MARTIN, Chairman and Federal Reserve Agent.

On May 2, 1914, the reserve bank organization committee announced the boundaries of Federal reserve district No. 8.

On May 11, 1914, this committee designated five banks to execute the organization certificate, and on May 18 representatives of the banks met in the rooms of the St. Louis Clearing House Association in the city of St. Louis and signed the organization certificate of the Federal Reserve Bank of St. Louis. Arkansas was represented by the German National Bank, of Little Rock, Mr. J. D. Goldman, president, and Mr. W. A. Hicks, cashier, signing the certificate for that bank. Illinois was represented by the Ayers National Bank, of Jacksonville, Mr. M. F. Dunlap, president, and Mr. O. F. Buffe, cashier, signing the certificate. Indiana was represented by the Second National Bank, of New Albany, Mr. Earl S. Gwin, president, and Mr. Geo. A. Newhouse, jr., cashier, signing for that bank. Kentucky was represented by the National Bank of Kentucky, Louisville, Mr. Oscar Fenley, president, and Mr. H. D. Ormsby, cashier, signing the certificate. Tennessee was represented by the First National Bank, of Memphis, Mr. J. A. Omberg, president, and Mr. C. Q. Harris, cashier, signing for it.

The reserve bank organization committee had sent out preferential ballots in accordance with the Federal Reserve Act to all member banks, and on August 10, 1914, it announced that group No. 1 had elected Mr. Walker Hill, of St. Louis, as class A director, and Mr. Murray Carleton, of St. Louis, as class B director; that group No. 2 had elected Mr. Frank O. Watts, of St. Louis, as class A director, and Mr. W. B. Plunkett, of Little Rock, Ark., as class B director; that group No. 3 had elected Mr. Oscar Fenley, of Louisville, Ky., as class A director, and Mr. Le Roy Percy, of Greenville, Miss., as class B director.

On September 30, 1914, the Federal Reserve Board announced the appointment of Mr. William McC. Martin as Federal Reserve Agent and chairman of the board of directors, and Mr. W. W. Smith as deputy Federal Reserve Agent and vice chairman, and that these two gentlemen, together with Mr. John W. Boehne, of Evansville Ind., would be the three class C directors.

On Monday, October 5, 1914, the three class C directors of this bank met with the Federal Reserve Board in its rooms in the Treasury Building at Washington, D. C., to receive preliminary instructions and discuss the necessary steps for the organization of the bank. Upon the return from this meeting, on October 13, an informal meeting of the board of directors was called by the chairman of the board. This had to be an informal meeting, as some of the directors had not had time fully to qualify in accordance with the provisions of the law, and was for the purpose of having the directors become acquainted with one another and talk over tentative plans for the organization of the bank. All the directors were present, except Mr. Le Roy Percy, of Greenville, Miss. At this meeting the chairman read a telegram from the secretary of the Federal Reserve Board that a conference had been called for October 20 in Washington, the directors of each

Federal Reserve Bank be present, if possible. There were selected, as the representatives of this bank, to be present at the meeting of directors in Washington, Mr. Oscar Fenley and Mr. Frank O. Watts, class A directors, Mr. W. W. Smith, class C director, and the chairman of the board. These gentlemen all attended the meeting in Washington, and took part in the discussions with other directors in the consideration of plans for the opening of the banks.

On October 23 the Federal Reserve Board called for the first installment of capital stock, a payment in gold equal to one-sixth of the total amount of capital stock allotted to each bank, such remittance to be made on or before November 2, 1914.

On October 25, 1914, the Secretary of the Treasury stated that he had determined to announce the establishment of the Federal Reserve Banks in all the Federal reserve districts on November 16, 1914. This announcement was made several days before it was possible to hold the first regular meeting of the board of directors of this bank. Its first regular meeting was held on October 28, in the board room of the Mississippi Valley Trust Co., St. Louis. All of the directors were present. Anticipating an early opening of the bank, the chairman of the board had gone ahead and ordered certain records, in order to facilitate matters, and at this meeting of the board his actions were ratified. The directors also decided by lot, on their terms of office, in accordance with the provisions of the law, the result being as follows:

CLASS A.

Mr. Frank O. Watts, for a term to expire one year from January 1, 1915.
Mr. Oscar Fenley, for a term to expire two years from January 1, 1915.
Mr. Walker Hill, for a term to expire three years from January 1, 1915.

CLASS B.

Mr. Murray Carleton, for a term to expire one year from January 1, 1915.
Mr. W. B. Plunkett, for a term to expire two years from January 1, 1915.
Mr. Le Roy Percy, for a term to expire three years from January 1, 1915.

CLASS C.

Mr. William McC. Martin, for a term to expire one year from January 1, 1915.
Mr. Walter W. Smith, for a term to expire two years from January 1, 1915.
Mr. John W. Boehne, for a term to expire three years from January 1, 1915.

A corporate seal was also adopted and by-laws decided on. A committee was appointed to recommend the salaries of the governor of the bank, deputy governor and cashier, and its report was adopted. The officers elected were as follows: Hon. Rolla Wells, governor; Mr. William W. Hoxton, deputy governor and secretary; Mr. C. E. French, cashier.

This organization meeting of the board occurred on October 28, and the bank had to open its doors for business on November 16, thus giving only a little over two weeks in which to find quarters, get the necessary equipment, and become established. Prior to this time there had been no officers of the bank, except the chairman of the board and the vice chairman, and, in accordance with the call of the Federal Reserve Board, gold was being received in payment of the first installment of capital stock. The chairman of the board accepted these payments as they came, gave his receipt for them, and arranged that they be deposited in a safe-deposit box in the Mississippi Valley Trust Co. Access could be had to this box only by the Federal Reserve Agent when accompanied by Mr. W. W. Smith, his deputy. At the next meeting of the board the chairman reported what he and his deputy had regard to accepting these payments, and their action was confirmed.

officers were appointed for the bank and qualified, these capital stock payments were turned over to them, and were found to be correct.

Beginning with October 1 the chairman received a great number of applications for positions with the bank. Wherever possible, the applicants were seen, and all applications were filed in order of receipt, so that when it came to choosing the official staff and the office force, every application was given due consideration.

A number of possible locations for the new bank had been looked over by the chairman and his deputy, and these were reported to the first regular meeting of the board of directors. At this meeting the board appointed these two gentlemen and Governor Wells as a committee to select temporary quarters and to purchase such furniture and equipment as the bank required. At the first meeting of the executive committee, held on November 4, this committee reported that it had succeeded in getting temporary quarters on the fourth floor of the Boatmen's Bank Building. This was a new building, located on the northeast corner of Olive Street and Broadway, and the fourth floor, fortunately, had not been completely finished, so quick work was possible. In order to get it ready for occupancy on November 16 it was necessary that those supplying fixtures and those at work on the building be pushed day and night, but, with great effort, we succeeded in getting everything ready, so that on the morning of November 16, 1914, this bank opened its doors for business.

The vaults were extremely inconveniently located a considerable distance from our banking room, but they were safe, the very best procurable, and we have succeeded in operating with them. Visits to the vaults, due to their location, have consumed a considerable amount of the time of employees, but it was a condition that could not be remedied.

This bank was opened for business promptly on the day set, and had its own staff of officers and employees, though the St. Louis banks had very kindly offered to lend us men if needed.

OFFICERS AND EMPLOYEES.

On the day of opening the staff numbered 6 officers and 17 other employees. For a few days it had the assistance of Mr. William C. Tompkins, auditor of the Third National Bank of St. Louis, who helped inaugurate the accounting system, but with this exception, the bank was opened with its own employees.

Eight days after the opening of the bank there was started a limited clearing system, and on December 4 the bank extended its clearing facilities and offered to collect for member banks checks and drafts drawn on any Federal Reserve Bank and checks and drafts drawn on all member banks of this district. In order to have a sufficient force to take care of the possible number of items that might come in under this enlargement of the clearing system, it was necessary to increase the force, so that on January 1, 1915, the bank had 6 officers and 40 employees.

Now that experience has shown the approximate number of items to be expected under given conditions, and the scope of other work necessary in carrying on the operations of the bank, it has been possible to decrease the working force until at the close of this year there were on the rolls 5 officers and 34 employees.

On January 6, 1915, the Deputy Federal Reserve Agent, Mr. Walter W. Smith, resigned to take effect January 15, 1915, to become vice president of the Third National Bank of St. Louis. This vacancy was not filled until June 2, 1915, when the Federal Reserve Board appointed as Mr. Smith's successor, Mr. T. C. Tupper, who had been connected with the bank since its organization as manager of its credit department.

On July 19, 1915, Mr. C. E. French resigned as cashier, to take effect August 7, 1915, as he had been appointed by the Comptroller of the Currency as chief examiner of Federal Reserve District No. 8. Since his resignation, the deputy governor, Mr. William W. Hoxton, has been the acting cashier.

DIRECTORS AND BY-LAWS.

The by-laws adopted by the board of directors of this bank follow very closely the by-laws suggested at the conference of directors held in Washington prior to the opening of the bank. They prescribe that there shall be two meetings of the board each month, on the first and third Wednesdays, at 10 o'clock a. m., and if that day be a holiday, on the second succeeding full business day. There have been 28 meetings of the board since the organization of the bank, with an average attendance of 12 directors.

This bank has four out-of-town directors, and attendance at the board meetings consumes a considerable amount of their time. It takes one of the directors a full day and a day to come from his home to St. Louis. It has been reported that there is a rumor that directors receive \$5,000 a year for their services to this bank. It is impossible that this could be the general impression, but if anyone has such a erroneous idea, this is the place to correct it. The directors of this bank receive no traveling expenses and the usual fee for attending meetings. The money compensation is not anything like adequate for the time these gentlemen give to the service of the bank.

The proposed form of by-laws suggested an executive committee, composed of 12 members of the board, but this was changed so that the by-laws of this bank call for an executive committee consisting of the governor, the Federal Reserve Agent, and 10 directors chosen from classes A and B, this committee to serve during the pleasure of the board of directors or for terms fixed by it. With the exception of the Federal Reserve Agent, under these by-laws, directors of class C are not eligible as regular members of the executive committee, though it is provided that the governor may invite any other members of the board to sit with the executive committee and that such members have full right of membership during such meeting.

At the first meeting of the board there were elected to serve on the executive committee, in addition to the chairman of the board and the governor of the bank, Walker Hill, Mr. F. O. Watts, and Mr. Murray Carleton, all of St. Louis. These three elected members were to serve during the pleasure of the board for a term of office expiring at the first regular meeting of the board of directors to be held in January, 1916.

As the by-laws were first passed, the executive committee was not given the power to fix the discount rates, but later it was found advisable to amend them, so that the executive committee now has the power "to fix the discount rates and change them from time to time, subject to review and determination by the Federal Reserve Board."

During the first few months of the bank's existence the executive committee met several times a week. It is now holding two meetings a week, one on Monday and one on Thursday, at 10.30 o'clock a. m. Up to and including December 31, 1915, there have been 150 meetings of the executive committee.

Copy of the by-laws, as amended and in force at the writing of this report, is herewith attached as Exhibit A.

REDISCOUNT RATES.

On November 16, 1914, the day of opening, this bank established a rediscount rate of 6 per cent for all maturities of paper eligible for rediscount under the law. The rate was justified by the conditions then existing. In the latter part of December and early in January money began to be more plentiful, and it seemed advisable to establish a preferential rate for notes of shorter maturity. Accordingly, on January 7, 1915, a 4½ per cent rate was announced for paper maturing within 30 days, a 5 per cent rate for paper maturing within 60 days, a 5½ per cent rate for paper maturing within 90 days, and a 6 per cent rate on agricultural and live-stock loans running from 90 days to 6 months. Our rediscount rates have been changed from time to time, in accordance with the conditions within the district. On June 24 a rate of 3 per cent was

established on paper maturing within 10 days. It was thought that perhaps this rate could be availed of by our large city banks in order to meet their demands for very short time payments, such as, for instance, building up their legal reserves, temporarily depleted, or the payment of a heavy debit in the clearing house. Much to our surprise, however, the first offering of this class of paper came from a country bank.

During the late winter and early spring member banks' reserves and deposits increased rapidly, and their discount rates consequently declined steadily. During the early part of the year bank rates to customers in the larger cities were about $5\frac{1}{2}$ to 6 per cent, and commercial paper of the best names was selling from $4\frac{1}{2}$ to 5 per cent. In March the rate further declined, and 5 per cent was the usual bank rate, with commercial paper selling around 4 per cent. Commercial paper brokers generally complained of an inactive business. Banks looked forward to the period of crop movement, anticipating an increased demand for funds, and accordingly a higher rate of interest. This, however, did not materialize, the demand for crop-moving purposes being below normal, and discount rates remained at a low level. Such being the case, on September 14 this bank reduced its rate on 90-day paper to 4 per cent, putting it on a level with 30 and 60 day rates. On this same day the bank announced a 3 per cent rate, available for "commodity paper," having a maturity of not more than 90 days, provided the bank offering same could certify that the loan was originally made at a rate not exceeding 6 per cent. This was designed to help the carrying of cotton, wheat, and commodities of a like kind. Also, on September 14, in order to encourage the use in business of "trade acceptances," the bank established a rate on this class of paper one-half per cent lower than its 30-day rate, the rate being $3\frac{1}{2}$ per cent on maturities of not more than 90 days. So far the banks have not availed themselves, to any great extent, of any of the preferential rates—that is, the 3 per cent rate on 10-day paper, the $3\frac{1}{2}$ per cent rate on trade acceptances, and the 3 per cent commodity-paper rate.

In October of this year the demand was somewhat more active, especially in the southern parts of the district, but this was not sufficient to cause any marked increase in rates. At the end of October the rates were still below normal for this time of the year, the bank rate ranging from $4\frac{1}{2}$ to 5 per cent, and commercial paper of the best names was scarce even at a rate of $3\frac{1}{2}$ to 4 per cent for maturities up to six months.

The board of directors of this bank has realized from the beginning that the fixing of rediscount rates was perhaps the most responsible of its functions. In the face of earnings not up to our expectation and with a desire for increased business there was a temptation to lower the rates. However, the board thoroughly appreciated the fact that if rates were placed at so low a level as to encourage member banks to allow their customers to borrow too much money and extend too much, the result would be an overexpansion in business and the possibility of a dangerous situation. The policy of the board has been to establish a rate which would enable the member banks to meet every legitimate demand of business in their respective localities at a reasonable rate to customers and at the same time not stimulate loans to a point of dangerous expansion. Since the bank was established there have been seven changes in the rediscount rates, the dates on which these changes have occurred and the rates for the different maturities being as follows:

	10 days.	30 days.	60 days.	90 days.	6 months.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Nov. 18, 1914		6	6	6	6
Dec. 10, 1914		$5\frac{1}{2}$	6	6	6
Dec. 21, 1914		$5\frac{1}{2}$	$5\frac{1}{2}$	6	6
Jan. 7, 1915		5	5	$5\frac{1}{2}$	6
Feb. 3, 1915		4	4	$4\frac{1}{2}$	$5\frac{1}{2}$
Apr. 22, 1915			4	$4\frac{1}{2}$	5
June 24, 1915				$4\frac{1}{2}$	5
Sept. 14, 1915				4	5

Sept. 14, 1915, trade acceptances, 90 days, $3\frac{1}{2}$ per cent.

per cent.

EFFECT OF FEDERAL RESERVE RATES ON RATES IN GENERAL.

Since the establishment of the Federal Reserve Bank it is interesting to examine the rates which banks have been paying for borrowed money and also the rates which banks have been granting their customers. From reports of member banks made to the Comptroller of the Currency the following is noted: On May 1, 1915, the average rate that banks paid for borrowed money was 5.24 per cent; on June 23, 5.22 per cent; on September 2, 5.05 per cent; and on November 10, 4.96 per cent. This shows a steady decrease in the rate at which banks borrowed from their correspondents. During all this period they could have borrowed from the Federal Reserve Bank at a less rate.

There has also been a decrease in the rate which member banks charge their customers. The 30-day average rate to customers on May 1, 1915, in this district was 7.31 per cent; on June 23, 6.94 per cent; on September 2, 7.06 per cent; and on November 10, 6.87 per cent. The decrease in rates to customers has been greater in two or three of the large cities than in the smaller towns. The country banks, as a rule, have made little decrease in their rates of interest to customers.

REDISCOUNTING.

On November 18, two days after the opening of this bank, we received our first offering of paper, amounting to \$1,000,000. Our next rediscounts were received on November 23, and totaled \$21,000. On November 27 the next offerings were received, aggregating \$52,000. The following day we received an offering amounting to \$4,224.95, and on November 30 one amounting to \$500,000.

From the opening of the bank to the end of business on Friday, December 4, 1914, this bank had received a total amount of rediscounts of \$1,654,507.76. In fact, two days after the opening of the bank more rediscounts were on hand than have been received during any one week since then. The rediscounts received during the week ending Friday, December 11, 1914, amounted to \$71,500. Since that time the rediscounts have increased with more or less regularity from week to week.

Attached hereto, as Exhibit B, is a statement of commercial paper offered by member banks and accepted each week, showing total of each maturity and total of all maturities to and including December 31, 1915. Also attached, as Exhibit C, is a chart showing the same facts in graphic form.

The total rediscounts accepted by the bank from its opening on November 16, 1914, to December 31, 1915, amounted to \$8,231,082.92. Of this amount, \$2,363,330.16, or 28.71 per cent, was of 30-day maturity; \$2,821,311.81, or 34.28 per cent, was of 60-day maturity; \$2,431,693.76, or 29.54 per cent, was of 90-day maturity; and \$614,747.19, or 7.47 per cent, was of paper maturing within 6 months. Nearly two-thirds of the paper accepted by the bank was of the 60 and 90 day class. There were 3,828 notes accepted during this period, and of this number 118 were for amounts less than \$100 each.

From a study of the number of member banks offering rediscounts from the different States and cities of the district it may be said that the smaller banks, rather than the larger ones, have shown a tendency to use our service. The banks in St. Louis and Louisville have not had occasion to avail themselves, to any great extent, of the rediscount privilege. Below is given a table, showing number of member banks offering rediscounts from each State each month from the opening of the bank, the total number of banks offering rediscounts from the whole district each month, the number and percentage of different banks offering rediscounts from each State, and the number and percentage offering rediscounts from the whole district since the bank's opening:

State or city.	1914		1915												Number of banks rediscounting.	Number of member banks in State.	Percentage of banks rediscounting with Federal Re- serve Bank.
	November.	December.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.			
Arkansas.....	3	4	4	5	5	9	7	9	11	13	7	7	6	24	62	38.7	
Illinois.....	5	7	3	15	13	18	16	9	16	11	11	11	11	42	157	26.7	
Indiana.....	1	2	3	3	2	1	2	1	2	2	1	3	4	10	61	16.4	
Kentucky.....	1	4	4	3	4	2	3	4	1	4	4	6	7	14	61	22.9	
Columbia.....															8		
Mississippi.....						1	1	2	3	5	4	3	4	5	18	44.4	
Missouri.....	3	1	5	3	8	7	8	5	9	13	10	13	8	19	72	26.3	
St. Louis.....	1	2										1		4	8	50.0	
Tennessee.....	1	4	4	6	2	3	5	5	6	7	7	7	8	10	20	50.0	
Total.....	6	21	24	24	32	34	44	44	34	52	54	45	54	45	131	467	28.0

From November 16, 1914, to January 1, 1916, the number of different member banks accommodated through the discount of paper was 131. The number of different banks accommodated through the discount of paper from January 1, 1915, to the end of the calendar year was 129.

It will be noted that a little over one-fourth of our member banks have availed themselves of the rediscount privilege, and this number is steadily increasing from month to month. We have made regular customers of these banks, the majority of them making frequent offerings. It is gratifying to find this steady normal increase, as it shows that as our member banks become more familiar with the system they are taking advantage of its facilities. This increased use of the rediscount privilege of the Federal Reserve Bank is also shown from an analysis of the reports to the Comptroller of the Currency, to wit: On March 4 this bank held approximately 18 per cent of the total loans of the member banks in this district; on May 1, 18.4 per cent; on June 23, 17.98 per cent; on September 2, 27.03 per cent; and on November 10, 25.17 per cent.

The following table gives the approximate percentage of rediscounts of the Federal Reserve Bank of St. Louis as compared with the total borrowings of member banks or the district and for each State within the district, according to the reports made to the Comptroller of the Currency under calls of March 4, May 1, June 23, September 2, and November 10, 1915:

Date of call.	District.	Arkansas.	Illinois.	Indiana.	Kentucky.	Mississippi.	Missouri.	Tennessee.
Mar. 4, 1915.....	18.40	12.8	13.7	30.9	5.4	.....	10.3	47.3
May 1, 1915.....	18.40	8.9	16.3	33.6	8.2	8.3	10.2	54.0
June 23, 1915.....	17.98	20.6	18.9	27.9	3.6	3.5	15.7	33.9
Sept. 2, 1915.....	27.03	23.8	27.0	34.5	6.7	25.2	22.7	40.9
Nov. 10, 1915.....	25.17	17.9	29.9	15.5	16.0	19.6	17.7	48.3

It is difficult to draw definite conclusions from this statement, as conditions vary considerably in the different sections of the district. From the above, however, it would appear that the member banks in Tennessee have realized the possibilities of the Federal Reserve Act to a greater extent than those of any other State. Indiana also has an excellent record in this respect. The above figures seem to indicate a growing appreciation on the part of bankers in Arkansas, Illinois, and Missouri. The offerings from Kentucky, however, have been spasmodic and rather disappointing.

A further examination of the Comptroller of the Currency shows that, in spite of the fact that member banks in the Federal Reserve Bank, in which they are stockholders, have placed approximately one-third of their total

March 4 the borrowings of member banks from banks outside of the district amounted approximately to \$1,275,000; on May 1, approximately \$1,070,000; on June 23, approximately \$1,103,000; on September 2, approximately \$1,637,000; and on November 10, approximately \$2,746,000.

If the borrowing banks of this district had placed their loans which they made outside of the district with the Federal Reserve Bank of St. Louis, it would have enabled their Federal Reserve Bank, in which they own stock, to have earned considerably more money and would have not taken any business away from the banks within the district. It appears from the reports to the Comptroller that few, if any, of these loans were made at a less rate of discount than the rate offered by this bank. The average maturity of paper rediscounted with us is probably in excess of 60 days. If it be supposed that these member banks had rediscounted with us the \$7,830,000 of loans which they placed with banks outside of the district, at our 60-day rate—4 per cent—this bank would have received an additional revenue of approximately \$52,200, which would have helped our showing considerably.

The following figures, taken from the reports of member banks to the Comptroller of the Currency, are interesting:

The reports of September 2 showed that loans of member banks were divided as follows:

With banks within the district.....	\$1,580,000
With banks outside the district.....	1,630,000
With Federal Reserve Bank.....	1,190,000
Total.....	4,400,000

Of this total, 27 per cent was borrowed from the Federal Reserve Bank.

The reports of November 10 showed that loans of member banks were divided as follows:

With banks within the district.....	\$2,450,000
With banks outside the district.....	2,745,000
With Federal Reserve Bank.....	1,750,000
Total.....	6,945,000

Of this total, the Federal Reserve Bank held 25 per cent. In brief, the total loan of member banks within this district increased \$2,545,000 from September 2 to November 10. In this same period the rediscounts with the Federal Reserve Bank increased only \$560,000, or about 22 per cent of the increase.

CLEARINGS.

Eight days after the opening, on November 24, 1914, this bank inaugurated its clearing system by the collection for its member banks of checks and drafts on other Federal Reserve Banks and checks and drafts drawn by member banks of this district on member banks located in Louisville and St. Louis.

On December 4, 1914, it extended the clearing facilities and offered to collect for member banks checks and drafts drawn on all member banks in this district and checks and drafts drawn on other Federal Reserve Banks. All items handled were credited to the banks from which received, on the day of receipt, and charged to the drawee bank on the same day. It soon developed that banks in reserve and central reserve cities, located outside of District No. 8, were sending in a great number of items on member banks to be cleared at par, while member banks were not able to build up their balances, so depleted by checks on their correspondents located outside of the district. Therefore, on December 18, in order to protect member banks, the bank was compelled to refuse to accept for collection or credit checks or drafts drawn on member banks of this district that bore the indorsement of banks in any reserve or central reserve city located outside of District No. 8. It was forced

take this step, as there was practically no development of the check clearing system outside of this district.

The clearing system is based on the assumption that the intent of the Federal Reserve Act is that every member bank be required to cover at par all checks and drafts drawn upon it received from the Federal Reserve Bank of which said bank is a member. Therefore the collection system, as first started, was mandatory upon member banks. However, when 10 of the other Federal Reserve Banks started collection systems on the voluntary basis, this bank felt that it should put its member banks on the same basis as the member banks of other districts. Consequently, April 12, 1915, the bank notified the member banks that on and after May 17, 1915, they would have the option of remaining in the clearing system and having their customers' checks cleared through us at par or of withdrawing from the clearing system and having their customers' checks handled through the old channels. On that date there were 462 member banks in District No. 8, and on May 17, 1915, when the voluntary system went into effect, about 20 per cent of our member banks withdrew. Since that time there have been 12 withdrawals and 9 additions to the clearing system. The fact that there have been any additions indicates that the system as created by the bank has attracted some banks after they more fully understood it, and the fact that so few have withdrawn indicates that a majority of the member banks in this district consider the system practical.

This bank from the beginning has operated on an immediate credit and immediate debit basis, and therefore, on Tuesday, November 16, 1915, the St. Louis Clearing House Association amended its rules and regulations affecting collection charges, to be in effect on and after December 1, 1915, as follows:

"On all such items payable or collectible at par in St. Louis, where immediate credit is had, the charge shall be discretionary with each bank or trust company. Items collectible at par in St. Louis, where immediate credit is had, shall not be regarded as finally paid until received and paid by banks upon which drawn, and course may be had upon the clearing bank on such items as may be dishonored, for losses occurring in the mails, provided such claims are made in due course."

With this amendment in effect St. Louis business men will be able to receive cash for their checks.

Prior to December 4, 1914, the date when the clearing system was enlarged, the transit department went over the situation very carefully, and came to the conclusion that on the opening day it should be prepared to handle at least 20,000 items a day. However, the average number of items received during the first month of the bank's operation did not exceed 5,000 per day. It has felt that it was unsafe, however, to open the bank unless we were prepared for the possibilities.

Below is given a statement showing, by months, the numbers of items and amounts of clearings of the Federal Reserve Bank of St. Louis from the inauguration of its clearing system to December 31, 1915:

	Number of Items.	Amount.
Nov. 24 to Nov. 30, 1914.....	8	\$14,312.24
December, 1914.....	115,024	24,611,473.90
January, 1915.....	136,695	28,300,204.08
February, 1915.....	127,227	33,716,002.70
March, 1915.....	154,630	51,190,674.05
April, 1915.....	164,070	56,519,995.37
May, 1915.....	134,452	47,048,300.31
June, 1915.....	124,028	48,784,820.71
July, 1915.....	129,141	37,460,280.27
August, 1915.....	141,850	38,091,504.87
September, 1915.....	150,851	51,331,290.75
October, 1915.....	182,692	63,532,030.66
November, 1915.....	183,036	77,371,144.41
December, 1915.....	202,870	44,550,734.67
Total.....	1,606,350	\$1,000,000,000.00

¹In May about 20 per cent of our member banks withdrew from the clearing system.

Attached hereto is Exhibit D, giving this information in graphic form.

It will be noted that this statement shows a steady increase for each month up to May, 1915, when the effect of the withdrawal of 97 banks from our clearing system becomes apparent, and a decrease is shown. Beginning with July, however, the number of items and the amount show a steady increase.

A full clearing system has been in operation over a year. The bank has attempted to keep down operating expenses at the cost of transit efficiency, and the method in operation, as the records show, has never resulted in dangerous overruns. From an operating standpoint it may be said that it is satisfactory.

Gradually exchange charges on checks are being eliminated in this district and the public is getting a direct benefit from the Federal reserve system. It has been reported that one large firm in the city of St. Louis has had to spend annually exchange charges approximately \$40,000. Due to the Federal reserve system the firm and others like it will be saved at least the greater part of this expense. The banks in this district have been in the habit of charging from 5 cents per letter, regardless of total, to one-fourth of 1 per cent of the total for remitting to other banks to cover items drawn on themselves or banks in their own town or city. The majority of the member banks belonging to our clearing system which were in the habit of charging exchange on remittances, as above mentioned, now handle same at par. The majority of the larger cities in this district it has been the custom of the banks to charge exchange on all items deposited with them for collection by local customers. The charges vary from one-twentieth of 1 per cent to one-fifth of 1 per cent. The charges, as a rule, are made in accordance with the rules of the local clearing bank. St. Louis is the only city in our district that we know of where the clearing-house rules have been amended so that banks are no longer obliged to charge on items that are collectible at par and on which immediate credit can be obtained. It is estimated that the saving to local customers of St. Louis banks on items drawn on member banks through our collection system will average about \$500 a day. This saving will be augmented by additions to the membership of our clearing system and by nonmember banks obtaining from their correspondents facilities similar to those extended by this bank to its members through its collection system.

Attached hereto as Exhibit E is a statement showing average number of items and amount per day for each month since January 1, 1915, cleared on member banks outside of St. Louis, cleared on member banks in St. Louis, sent to other Federal Reserve Banks, and overdrafts of member banks.

INVESTMENTS.

Under the law this bank has been limited in its investments to the purchase of United States bonds, warrants based on taxation having maturities of not more than six months, and to acceptances based on the importation or exportation of goods.

This bank now holds \$970,000 par value of United States Government bonds. In view of the fact that each year after this year the bank will have to take its pro rata share of the \$25,000,000 of United States bonds authorized to be purchased under the Federal Reserve Act, and that bonds purchased during this year could not be counted as a part of such pro rata share, and in view of the unsettled condition abroad and other factors, the board of directors of this bank did not deem it wise to tie up its funds in United States Government bonds.

The method of financing political subdivisions by short-time warrants has not been much in use in this district, and it has been difficult to get the kind of warrants allowable by us under the law. Every effort has been made to encourage financing of this character, and the services of counsel, Mr. James G. McConkey, have been obtained to any community where he was needed to suggest the form of warrants and help their issuance. A number of conferences in regard to this type of financing have been held and considerable correspondence has occurred, and it is hoped that the

after the district will furnish more warrants of the kind that can be used. The total amount of eligible warrants purchased by this bank up to and including December 31, 1915, was \$2,264,827.87. Very few, if any, bank acceptances based on the importation or exportation of goods, during this year at least, have been obtainable in this district. The total amount of such acceptances received up to and including December 31, 1915, was \$1,800,564.57. The great majority of warrants that this bank has been able to purchase, and all of the bank acceptances, have come through the Federal Reserve Banks of New York, Boston, and Atlanta. The chief source of revenue at all times has been paper rediscounted for our member banks. Attached hereto as Exhibit F is a chart showing in graphic form the total investments held by this bank each Friday from December 11, 1914, to December 3, 1915. This shows commercial paper rediscounted with this bank, bank acceptances bought, United States bonds bought, and warrants bought.

It will be noted that the revenue of the bank shows a steady increase from month to month. Current expenses have been substantially reduced during the last few months, and in November, 1915, this bank earned over its operating expenses \$962.22.

FEDERAL RESERVE NOTES.

Since the opening of the bank four shipments of Federal Reserve notes have been received by the Federal Reserve Agent from the Comptroller of the Currency, aggregating \$9,600,000.

On December 1, 1914, the Federal Reserve Agent made the first delivery of Federal Reserve notes to the bank in exchange for collateral deposited with him. The second delivery of notes was made on December 14, 1914.

At the present time there is outstanding \$8,950,000 in Federal Reserve notes, on which the bank has eliminated its liability by the deposit of gold with the Federal Reserve Agent to the amount of \$8,950,000. Of this amount \$3,950,000 is held in the vaults of the Federal Reserve Agent at St. Louis and \$5,000,000 is to his credit with the Federal Reserve Board in Washington.

NET DEPOSITS AND CASH RESERVE.

Attached hereto as Exhibit G is a chart showing in graphic form the total cash reserve and net deposits of this bank at the close of business each Friday from November 20, 1914, to December 3, 1915.

STATE BANKS AND TRUST COMPANIES.

In district No. 8 there are 2,574 State banks and trust companies. Of this number 985 State banks and trust companies have sufficient capital to qualify for membership in the Federal Reserve system; 1,588 of them have not sufficient capital to make them eligible and would have to increase it to become members. The following statement shows, by States, the number of State banks and trust companies that are eligible and the number not eligible.

State banks and trust companies eligible for membership in Federal Reserve System.

State.	Number.	Capital.	Surplus.
Arkansas.....	177	\$10,521,617	\$3,957,580
Illinois.....	174	9,314,300	4,691,890
Indiana.....	89	3,378,000	1,762,160
Kentucky.....	72	8,799,850	4,156,360
Mississippi.....		4,728,500	2,263,390
Missouri.....		32,047,100	16,963,450
Tennessee.....		772,400	2,213,900
Total.....	827		36,008,730

State banks and trust companies not eligible for membership in Federal Reserve System.

State.	Number.	Capital.	Surplus.
Arkansas.....	251	\$3,719,130	\$1,500,000
Illinois.....	128	1,995,525	1,000,000
Indiana.....	42	1,310,000	1,000,000
Kentucky.....	201	3,773,320	1,000,000
Mississippi.....	72	1,104,350	1,000,000
Missouri.....	799	13,470,700	15,000,000
Tennessee.....	95	1,518,296	1,000,000
Total.....	1,588	26,891,423	24,500,000

The Mercantile Trust Co., of St. Louis, is the only State institution in this district that is a member of the Federal reserve system. It came in while the reserve organization committee was organizing the bank and before the Federal Reserve Bank of St. Louis was opened.

There have been a number of inquiries from State banks and trust companies in different parts of the district asking for information, with a view of becoming members of the Federal reserve system.

STATISTICS.

An effort has been made by the Federal Reserve Agent to collect reliable information regarding business conditions in this district. It was thought important that information be obtained at first hand from both the borrower, or business man's point of view, and the lender, or the bank's point of view. So far we have been able to get at the lender's point of view from the copies of the statements sent us, rendered in by the Comptroller of the Currency. This is supplemented by personal interviews with officers of both State and national banks. These personal interviews are written up in the form of a report two or three times a month. In order to get the borrower's viewpoint, we have compiled a list of about 125 firms, in nine cities within this district. These firms are all of the highest rating, and are wholesalers and jobbers dealing in what may be called "the necessities of life." It was felt that these firms were dependable, and therefore familiar with, the local retailers in the smaller cities throughout the district, and that reports on their business would be an accurate index of actual business conditions. Street railway companies in the larger cities of the district furnish statistics in regard to earnings and number of passengers carried. From other sources we get information in regard to failures and the usual statistics in regard to building, car movements, etc. The heartiest cooperation has been given by all those asked for information by this bank, and we are extremely grateful for the assistance given.

District No. 8 is largely a farming district, and it is necessary that we keep close touch with agricultural conditions. We receive the reports of the Bureau of Agricultural Estimates at Washington; reports of the Department of Agriculture; reports from United States Weather Bureau stations in this district, and reports from various State boards in the district. These reports are carefully analyzed, and are then supplemented by personal interviews with men closely in touch with agricultural development.

The rediscount records of the bank are presented graphically on charts. From them we are able to see what effect, if any, the rediscount rate of this bank has on the rediscounts, which maturities are most frequently offered, what sections of the district are availing themselves of the facilities offered by the bank and to what extent.

In district No. 8, statistics fall naturally under three heads, as follows: (1) manufacturing and selling, applying more particularly to St. Louis, Louisville, Memphis, Little Rock, and the larger centers; (2) agriculture and livestock, applying to a large part of the district, and (3) banking conditions, which apply to all of the district.

BUSINESS AND AGRICULTURAL CONDITIONS DURING THE YEAR.

When this bank opened in November, 1914, the emergency currency, issued by the banks under the Aldrich-Vreeland Act, to a great extent had been retired. In other words, this district had partially recovered from the first shock caused by the declaration of war in Europe the previous August. There was still a general feeling of uneasiness among all classes of business men, for they were fearful of possible complications in our foreign policy, and were uncertain as to the crop of 1915. However, due in no small measure to the establishment of the Federal Reserve Bank of St. Louis, in this district the first quarter of 1915 showed some improvement in general business conditions as compared to the last quarter of 1914. During this first quarter national banks held reserves well over their legal requirements, due, in a great measure, to the reduced reserve requirements under the Federal Reserve Act, and also, to some extent, to a lack of demand for funds for business purposes. At that time the average bank rate to customers in the large cities was approximately 5 per cent, and commercial paper was freely quoted around 4 per cent. The tendency of the money market was toward lower rates.

During the spring months general business showed some improvement. This was indicated by the increased demand for labor and by the decrease in the number of commercial failures. Money rates were low and banks, contrary to the usual custom, were in the market for commercial paper maturing after the crop-moving season. The shipments of wholesalers were below the average for the period, but collections were nearly normal and showed the effect of the enforced liquidation during the preceding six months. The demand for commodities available for export was beginning to be felt and was responsible, in part, for the improvement noted. The live stock and wheat markets showed the effect of this demand more keenly than any of the other branches of industry, and this marked activity continued throughout the spring and early summer.

Climatic conditions during that period were in the main favorable. The rains in June did some damage to the wheat crop, but even so, the various reports indicated that it was considerably above the 5-year average. The temperature was below the normal, generally, but crops grew rapidly and seasonable weather from then on seemed the only thing necessary to insure a successful harvest.

Commencing the latter part of June, this bank had inquired into the cotton situation throughout the district, gathered data in regard to warehouses, given such help as it could to communities that needed proper warehouse facilities, and prepared forms of bonds and warehouse receipts for use when needed. We advised our member banks that, if necessary, we would gladly send someone from this office to help them get their local cotton situation into proper shape. We made it very plain that we were in position to take care of demands arising out of cotton, and that if it were correctly handled there was no reason why there should be forced sale of cotton at distress prices in any place in this district. This developed a general feeling of confidence in the situation, and we believe had a great effect throughout the district. Jobbing houses generally reported an increase in sales during August and this, in turn, affected the business of manufacturers and those who deal in raw materials.

As summer merged into fall, a steady improvement was noted. To a great extent the Federal Reserve Banks had restored confidence, and this was strengthened by reports on crop conditions. Southern States had made an earnest effort to get away from the one crop standard, and were raising, in many instances, several times the usual amount of wheat and corn. However, the cool, damp summer had retarded the harvesting of the crops and even in September there was no really active demand for money from country communities. Bank rates for customers were approximately 4½ per cent to 5 per cent, and commercial paper was quoted from 3½ per cent to 4 per cent for maturities up to six months.

October, November, and December showed further gains in all industries, and these gains should go far toward overcoming the loss incurred last winter. Business houses, generally speaking, are busy. Country merchants are buying freely, and indications point to a rising market in many of the standard commodities.

Failures showed a decrease both in number and total liabilities each quarter of the year of 1915, and this is an indication of the more favorable conditions now existing. The year has been a peculiar one, in that the large city banks have not had the demand for money from their correspondents they anticipated, nor has the Federal Reserve Bank rediscounted for its member banks the amount of loans that, judging from statistics of previous needs in this district, it had reason to believe it would be called on to rediscount. The Federal Reserve Bank, however, has been of great benefit to District No. 8, for it has restored confidence.

There has been a steady and normal improvement throughout the year, bountiful crops have been harvested, and it can be said that the year closes with an approach to a period of prosperity unknown for some time.

WORK THROUGHOUT THE DISTRICT.

This bank had no sooner become established than it became apparent that the chief problem before the officers was to get the member banks to realize not only the facilities at their disposal, but the ease with which they could be used. In some way or other many of the banks in this district got the idea that they had no paper eligible for rediscount, whereas the fact was that, in a majority of instances, the greater part of the paper in their portfolios was eligible. Member banks seemed also to have gotten the idea that there was a great deal of "red tape" connected with the bank and that it was very difficult to do business with it.

Every effort was made by the officers of this bank to have member banks clearly understand the facts as they exist. They have tried to explain that the bank is operated by practical men and that our effort has ever been to have satisfied customers. There is no "red tape" connected with its operations. Its officers have been careful to explain that the Federal Reserve Act did not establish new principles, but, as it were, systematized good banking standards, and they have suggested to State banks that, whether or not they ever came into the system, it was good banking policy for them to conduct their business and get their bill cases into shape the same as requested of member banks. It is gratifying to be able to state that a number of State institutions have written for forms of statements and are beginning to use them.

This bank has never accepted a rediscount that was not accompanied either by the statement of the maker of the note or a statement of the bank offering it, giving, with some particularity, the approximate figures covering what the customer owned and what he owed. The request has been reasonable, for the bank only wants to know what every good banker certainly knows before he grants the loan, whether he gets the information through conversation or gets it on a statement. At first some member banks felt that it would be impossible to get statements. It is a great pleasure to report that, on the whole, member banks have not had the difficulty they anticipated, and in several instances have been able to render a real service to their customers by giving them advice when, with the statement before them, they realized the actual condition then existing. At least a majority of our member banks realize that they have paper eligible for rediscount with this bank, do not think it is hard to do business with it, or that there is any so-called "red tape," and are adopting the plan of receiving statements from their customers, realizing that this is a benefit both to the customers and themselves. This result has not been achieved without a great deal of hard work on the part of the officers of this bank, and there is still considerable work to be done before all of the banks are brought into that close intimate touch with this bank that should exist.

On February 20, 1915, a circular letter was issued, covering eligible paper in detail and giving specific examples of various kinds of notes that are eligible for rediscount. We found this circular effective, but our experience has been that the best work is accomplished when we can talk with our member bankers. The chairman of the board has made addresses in 22 different cities throughout this district and, in some places, has spoken several times. The Deputy Federal Reserve Agent has made several trips throughout our territory, going into the cotton sections to help them get their paper in acceptable shape, and wherever requested to do so, has gone into the bank and examined its paper, suggesting that which is eligible and that which is not. Other officers of the bank have also made trips from time to time. It gives us pleasure to state that our member banks have shown a most friendly feeling of cooperation, and we are grateful to all of them.

NEW QUARTERS.

As stated in the early part of this report, this bank was compelled to get temporary quarters at its opening with inconvenient vault facilities. On October 8, 1915, it closed a lease for quarters in what is now known as the New Bank of Commerce Building, on the northeast corner of Broadway and Pine Streets, just one block south of our present location. We took possession of these new quarters during the last week in December, 1915, and the name of the building has been changed to the Federal Reserve Bank Building. This gives us a light, commodious, and most convenient banking room on the second floor, accessible to the street without the use of elevators, with ample and satisfactory vaults.

CONCLUSION.

This bank, during its first year of operation, has not made money, though it showed approximately a \$1,000 gain over operating expenses for the month of November, 1915. However, it is felt that a much higher service to the district than the making of money has been rendered. It has stabilized conditions and made it possible for any customer in the district to get money at a reasonable rate; has operated a clearing system which has resulted in the elimination of exchange charges on a large majority of the checks drawn on member banks in the district and the consequent advantage to business men of district No. 8; has materially helped some banks in communities suffering from three years of continuous drouth, and at all times has been in position to give any assistance needed, no matter what the emergency, to any deserving bank in the district.

EXHIBIT A.

BY-LAWS OF THE FEDERAL RESERVE BANK OF ST. LOUIS.

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board, the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board on the first and third Wednesdays of each month, at 10 o'clock a. m., or if that day be a holiday, on the second succeeding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least five days before the date of the meeting. If given by telegraph, such notice shall be dispatched at

least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and three directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board, or for terms fixed by it. The governor shall have authority to invite any other members of the board of directors to sit with the executive committee at any regular or special meeting, such member or members to have full rights of membership during such meeting or meetings. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings, and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes, or digests thereof, shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To fix the discount rates and change same from time to time, subject to review and determination by the Federal Reserve Board.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and to fix their compensation.
- (g) To approve bonds furnished by the officers and employees of the bank, and to provide for their custody.
- (h) In general, to conduct the business of the bank subject to the supervision and control of the board of directors.

ARTICLE III.—Officers.

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the Deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of

the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors, and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee, to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

The cashier and at least one other officer designated by the board of directors shall have joint custody of the inactive reserve of the bank and bonds purchased by the bank for investment. All other moneys and investments shall be in the custody of the cashier. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors or the governor. In the event of the absence or inability of the cashier to act, then the governor or the executive committee shall have power to appoint some officer to act in his stead.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor, and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall be open for business from 10 o'clock a. m. to 3 o'clock p. m. on each day except Sundays or days or parts of days established as legal holidays.

The bank shall be open for business from 10 o'clock a. m. to 12 o'clock noon on Saturdays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been mailed to each member at least 10 days prior to such meeting.

308 ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

EXHIBIT B.

Commercial paper offered by member banks accepted each week, showing total of maturity and total of all maturities to and including December 31, 1915.

Week ending—		30 days.	60 days.	90 days.	6 months.	Total.
1914.		Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
Dec.	4.....	1,007,729.83	551,582.82	95,195.11		1,654,507.76
	11.....	43,000.00	3,000.00	23,000.00	2,500.00	71,500.00
	18.....	14,295.76	9,008.58	34,927.96	5,000.00	61,231.30
	24.....	65,591.60	24,195.10	8,100.00		97,886.70
	31.....	3,957.75	5,213.05	17,228.26		26,398.06
1915.						
Jan.	8.....	281,331.46	6,552.57	27,500.00	6,000.00	314,384.03
	15.....	4,000.00	62,587.43	14,613.81	4,161.45	81,362.69
	22.....	20,502.00	12,693.23	5,639.19		38,834.42
	29.....	9,046.78	92,650.39	51,208.95	15,038.87	167,944.99
Feb.	5.....	7,667.49	10,063.78	46,617.73	10,299.32	74,658.32
	12.....	16,551.03	52,652.38	88,851.33	1,946.11	159,001.85
	19.....		26,000.00	12,742.50	4,143.60	42,886.10
	26.....	1,872.52	11,872.38	22,348.82	6,003.00	41,096.72
Mar.	5.....	5,775.50	8,299.71	54,487.50	15,105.52	83,668.23
	12.....	5,036.26	7,239.08	26,916.37	3,996.80	42,288.51
	19.....	16,372.03	16,213.27	16,390.86	5,520.40	54,596.56
	26.....	13,144.00	15,593.83	11,245.90		40,083.73
Apr.	2.....	12,713.21	27,888.91	54,625.94	511.67	95,739.73
	9.....	3,200.00	9,860.00	11,550.00		24,610.00
	16.....	3,848.70	36,038.88	10,839.95	9,069.37	59,796.90
	23.....	4,638.22	24,177.00	34,919.69	16,456.36	80,191.27
	30.....	14,272.99	31,052.42	28,243.45	11,507.88	85,076.74
May	7.....	18,056.12	26,792.19	34,922.48	32,610.38	112,581.17
	14.....	8,800.50	20,355.83	23,295.58	25,160.72	77,612.63
	21.....	4,877.00	30,271.94	25,223.10	1,399.82	61,771.86
	28.....	8,062.69	30,892.22	45,518.00	46,455.38	131,728.29
June	4.....	900.00	10,562.15	12,290.56	5,999.48	29,752.19
	11.....	151.75	9,148.42	19,755.00	2,550.00	31,505.17
	18.....	13,739.83	33,004.90	43,584.68	21,362.90	111,692.31
	25.....	15,399.71	9,987.44	30,185.89	28,899.95	84,473.99
July	2.....	22,197.93	50,744.45	78,207.47	19,205.19	160,355.04
	9.....	3,729.41	18,980.54	31,097.15	24,953.49	57,760.59
	16.....	39,367.56	13,690.13	49,180.12	979.50	103,217.21
	23.....	6,940.00	24,072.09	64,624.53	28,460.88	124,097.50
	30.....	11,885.14	66,014.78	34,746.71	8,839.04	121,485.67
Aug.	6.....	11,597.36	43,005.12	42,466.96	15,782.50	112,851.94
	13.....	8,399.50	15,644.00	40,374.47	12,257.24	76,675.21
	20.....	11,022.27	48,347.52	65,356.12	4,612.88	129,338.79
	27.....	10,976.44	112,204.80	44,424.20	10,715.00	178,320.44
Sept.	3.....	7,221.76	47,235.55	42,240.74	33,894.69	130,592.74
	10.....	4,133.00	11,030.77	38,378.47	2,355.00	55,697.24
	17.....	10,241.35	61,976.91	49,998.28	7,186.50	129,403.04
	24.....	48,916.33	155,448.27	75,613.99	2,890.00	286,868.59
Oct.	1.....	18,522.33	55,377.73	76,019.37	4,207.75	154,128.18
	8.....	15,845.14	27,217.64	71,587.83	9,642.90	114,673.51
	15.....	40,358.54	100,718.36	93,641.99	3,027.90	237,746.79
	22.....	32,598.76	39,256.13	36,432.80	11,096.50	119,384.19
	29.....	47,061.61	205,492.58	143,050.24	9,255.01	404,859.44
Nov.	7.....	32,405.71	95,684.38	105,804.11	13,779.16	247,673.66
	14.....	20,287.62	116,385.52	50,609.27	4,188.83	191,471.24
	21.....	163,458.89	54,775.70	64,568.39	25,967.45	288,770.43
	28.....	42,998.53	25,436.25	28,996.34	24,517.73	121,948.85
Dec.	7.....	38,329.69	77,989.62	38,168.79	17,379.04	171,867.14
	14.....	18,461.17	51,014.26	30,052.39	800.00	100,328.82
	21.....	25,185.45	66,637.17	56,637.26	6,000.00	148,460.88
	28.....	46,764.54	21,481.34	47,408.16	32,214.01	147,868.05
Total from Nov. 16, 1914, to and including Dec. 31, 1915.....		2,363,330.16	2,821,311.81	2,431,693.76	614,747.19	8,231,082.92
Percentage of each maturity.....		28.71	34.28	29.54	7.47	100.00

¹ These figures include rediscounts accepted from opening of bank to Dec. 4, 1914.

EXHIBIT C.

Commercial paper offered by member banks and accepted each week, showing total of each maturity and total of all maturities from December 4, 1914, to November 30, 1915 (in thousands).

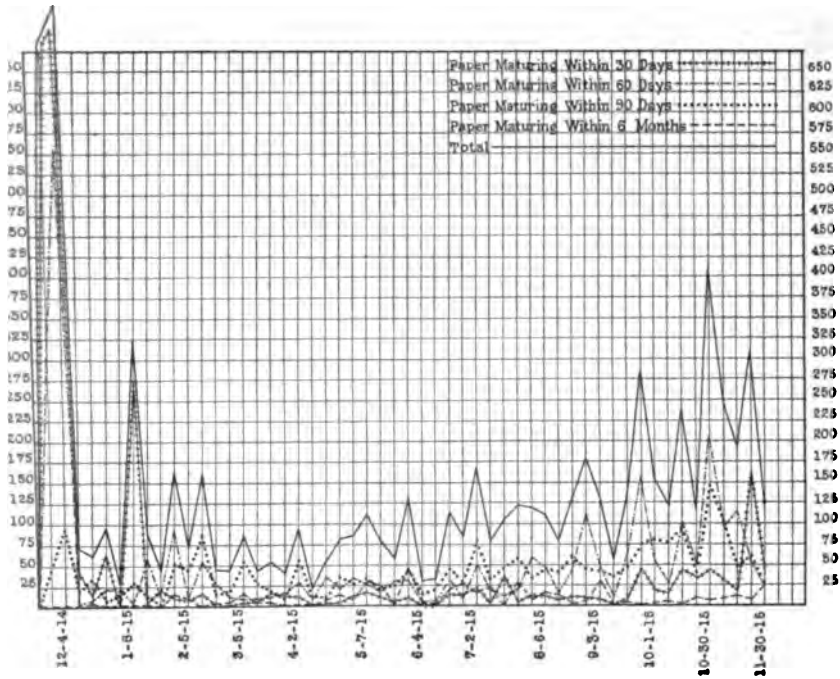


EXHIBIT D.

Number of items (in thousands) and total clearings (in millions) each month.

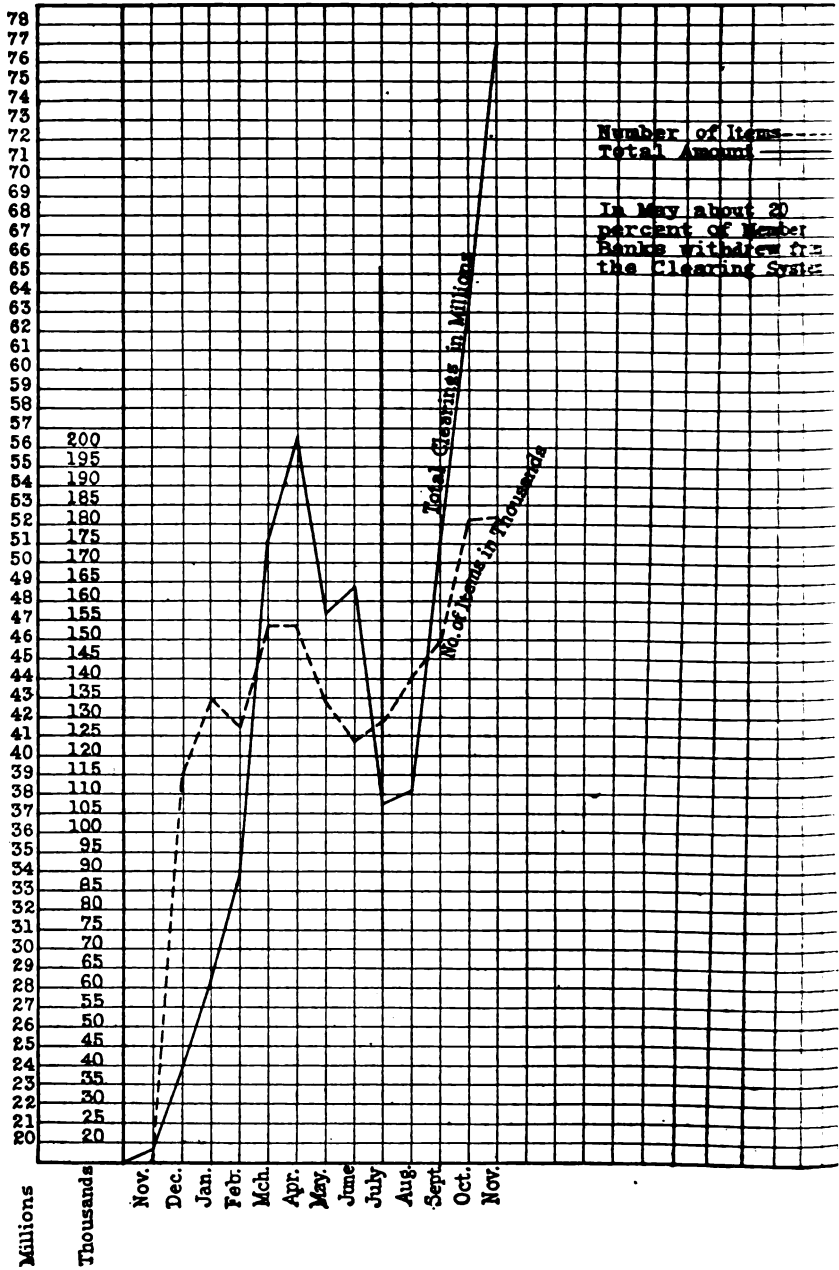


EXHIBIT E.

Statement showing operation of clearing system.

Month.	Items cleared on member banks outside St. Louis (daily average).		Items cleared on member banks in St. Louis (daily average).		Items sent to other Federal Reserve Banks (daily average).		Overdrafts of member banks (daily average).	
	Items.	Amount.	Items.	Amount.	Items.	Amount.	Accounts.	Amount.
1915.								
January.....	4,832	\$554,809.98	364	\$375,762.12	23	\$157,875.87	32	\$80,497.38
February.....	5,128	571,319.15	374	497,602.17	29	396,991.83	30	81,341.82
March.....	5,302	571,999.01	396	638,475.96	38	685,506.88	31	49,874.70
April.....	5,648	712,415.94	411	879,700.91	82	668,682.94	39	108,197.26
May.....	4,800	577,644.63	446	698,408.65	131	608,878.72	26	74,237.55
June.....	4,205	510,754.15	391	723,405.44	174	642,225.82	19	42,580.23
July.....	4,319	541,618.58	485	601,424.69	161	297,736.73	15	43,793.72
August.....	4,772	565,486.85	510	529,795.24	173	369,775.77	21	37,466.48
September.....	5,318	668,191.78	490	830,585.01	224	564,474.83	26	56,609.54
October.....	5,795	845,598.72	556	936,615.83	213	665,171.24	34	113,801.86
November.....	6,314	885,306.78	703	1,225,852.55	299	983,596.42	25	73,966.47
December.....	6,893	920,862.23	597	1,267,707.28	310	1,071,027.35	22	80,077.07

Prior to May 17 the system was mandatory; since that time it has been voluntary. Approximately 80 per cent of our member banks belong to the clearing system, about 40 per cent of which use us actively for collecting such items as they handle that are eligible for collection through us.

The figures given above are daily averages.

EXHIBIT F.

Statement of investments held by Federal Reserve Bank of St. Louis, each Friday, from December 11, 1914, to December 3, 1915 (in thousands).

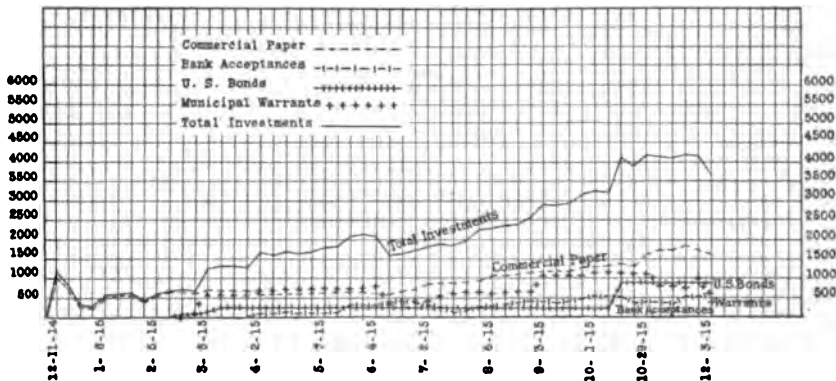
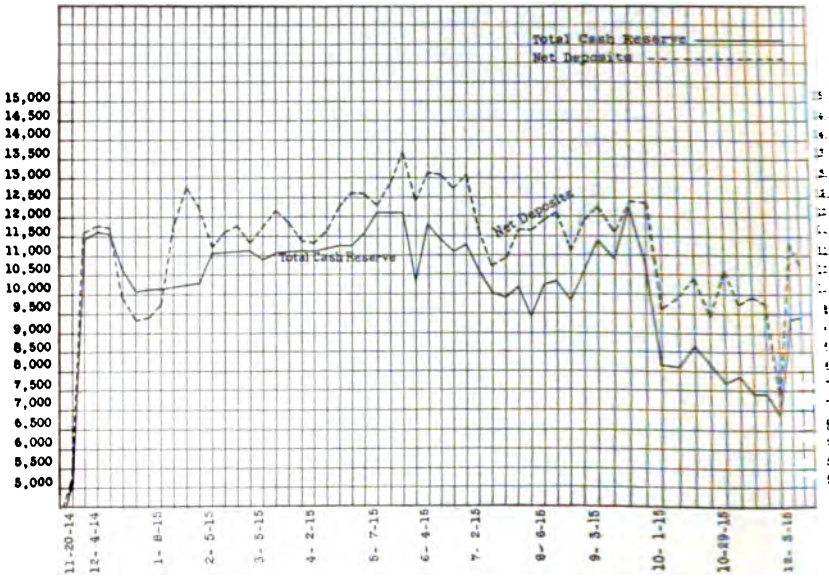


EXHIBIT G.

Total cash reserve and net deposits each Friday, from November 20, 1914, to December 1915 (in thousands).



DISTRICT NO. 9—MINNEAPOLIS.

JOHN H. RICH, Chairman and Federal Reserve Agent.

Since the Ninth Federal Reserve Bank was opened, there has been no emergency to give it opportunity to demonstrate what it might do in support of agriculture, commerce and industry within its district, if it were to fully employ its resources and the authority given it by law. The outbreak of war in Europe greatly disturbed business in all parts of the ninth district, putting a stop to new enterprises and retarding all commercial activities for a considerable period. The year 1915 has witnessed very low, but steady progress back to normal. It opened with loans and rates for money at the lowest level in many years, but closed with business in a highly prosperous condition, and with expressions of hopefulness for 1916 on every hand.

Had it been possible to open the Ninth Federal Reserve Bank in July, 1914, instead of November, it would have had opportunity to add to its earnings from \$250,000 to \$340,000 as an incident to the issue of a large volume of emergency currency, which, because of the lack of a Federal Reserve Bank, was put out by the currency associations authorized by the Aldrich-Vreeland Act. The bank was handicapped through opening its doors just after the only heavy demand that this district has known for several years had been fully satisfied. This disadvantage is, however, wholly confined to the question of profits, and, even at that, has not prevented the bank from arriving, well before the close of 1915, at the point of earning enough to meet its expenses, and a reasonable profit besides.

To engage in its first operations during a period of business quiet and readjustment, has given every encouragement to diligently seek opportunities to meet the needs of its member banks and to gradually perfect its methods to such a degree as to render the best, the most expeditious, and the most efficient service.

The Ninth Federal Reserve Bank is functioning properly. It has had opportunity during the year to meet various emergencies confined to localities and districts, and has promptly extended the support needed by its member banks. While there has been no general call for the rediscount of paper, it has provided facilities which numerous banks have been glad to utilize, with the result that such rediscounts as it has made for its members have been very well scattered over territory embracing, in whole or in part, six States. The volume of business thus done, together with active efforts to have the Federal Reserve Act better understood, has laid a foundation which will be extremely valuable in future periods of heavy demand. It is notable that where there has been opportunity to come closely into touch with member banks, the result has invariably been a high degree of appreciation by member institutions of the serviceability of this bank and the simplicity of its methods. Its management and its operation have had the entire approval of its membership. The only criticism it has received has been from outside sources and resulted from an imperfect understanding of what it is permitted by law to do.

The Ninth Federal Reserve Bank has sought to make the Federal Reserve Act fully operative within its district. During the spring of 1915 it had opportunity to demonstrate its effectiveness in meeting the requirements of agriculture in the Northwest during the planting season, and rediscounted liberally for member banks, in order

to enable them to better satisfy the requirements of farmers. It relieved local pressure at a number of points where manufacturing enterprises and general business were depressed because of war conditions, and had opportunity to show that it can efficiently meet the demands of industry. Again, in the fall of the year, when an adverse season had created large amounts of immature corn, it was able to perform a very valuable service in assisting member banks to meet the requirements of farmers who were suddenly compelled to make provision for utilizing a valuable forage crop. During the prevalence of the foot-and-mouth disease it was able to come to the assistance of many banks in the western part of its territory, which had applications for loans from numerous stockmen who had cattle ready for market, but were unable to ship on account of quarantine conditions. The service above indicated, while not perhaps of notable consequence in any single case, consists in the aggregate of a very valuable degree of assistance, which would not have been available except for the Federal Reserve Bank, and without which, portions of the district would have encountered considerable hardships.

Immediately upon receipt of authority this bank instituted a system for the clearing of checks within its own district, which has been in successful operation since June 1.

During the fall crop-moving period it announced a special commodity rate for the assistance of grain growers, extending the opportunity to member banks to rediscount farmers' notes, collateralized by elevator tickets, at 3 per cent, with the understanding that the rate to the maker of the paper should be limited to 6 per cent.

Practically all the currency required for crop-moving purposes during the fall period was furnished by this reserve bank at a cost to member banks that was appreciably less than in former years. Shipments of currency from points outside the district were reduced to about \$1,000,000, or a merely nominal figure.

Currency has usually been shipped from Chicago and the East. In 1915, for the first time, it was possible to obtain at home the currency needed by country banks. The added convenience of the service afforded by the reserve bank ranks second only to the saving in cost. From October 1 to December 31 the issue of Federal Reserve notes for this purpose was approximately \$8,000,000, in addition to \$6,000,000 previously issued and available in part for crop purposes.

For the rediscount of agricultural and commercial paper rates of discount were established at the opening of the bank, which have shown a downward tendency throughout the year. Member banks have been able to loan from correspondent banks on a better basis than before because of the effect of these discount rates, and have also had the option of rediscounting paper at the Federal Reserve Bank on a better basis than was previously known in this district. The rates of the larger city banks to country correspondents have shown a tendency to maintain a relation to the reserve bank's discount rates as announced from time to time, and the indirect influence of such discount rates has been an important factor.

The influence of the discount policy of this bank upon rates paid by bank customers is not so easily traced, but in many instances the right to rediscount has resulted in the extension of credit which member banks would otherwise have been compelled to curtail or refuse. Especially in the stock and agricultural districts it is found that the facilities afforded by the reserve bank have enabled member banks to continue to extend credit at reasonable rates, where, without such facilities to fall back upon, member banks would have been compelled to restrict their loans. The steadying influence of the reserve bank has been very valuable to the agricultural and business interests of the district, because it has prevented uneasy financial conditions and the fluctuations of rates that would easily have been possible if the reserve bank had not been in existence.

It is worthy of note that out of approximately 4,000 notes and bills offered for rediscount only a very few have come from the member banks in the large cities. These banks, with only four exceptions, have had no occasion to rediscount since this

serve bank was founded. Practically all of these rediscounts have been made for institutions located in the country districts, i. e., for member banks doing the bulk of their business with the agricultural class and with stockmen. It is therefore apparent that the service thus rendered has been a service which has been extended to a very large part to farmers and to producers of stock, and that the support extended by this bank has been to those engaged in production, rather than to those engaged in the handling and marketing of farm and range products.

At the close of the year it is evident that there are opportunities for business open to the Ninth Federal Reserve Bank sufficient to provide more than for its expenses and in a year of normal business activity probably sufficient to meet its dividend requirements. This would be fully guaranteed, even in normal times, should Congress see fit to reduce the amount of paid-in capital, allowing the proportion so reduced to stand subject to call. Should such reduction be made, there should be a compensating deposit of Government funds to guard against a contraction of the resources of reserve banks and loss of issue power.

SUMMARY OF THE YEAR'S WORK.

The results obtained since organization are told in detail in the subjoined portion of this report, but may be briefly summarized as follows:

When instructions to open on November 16, 1914, were received this bank was without organization or staff. Such organization was provided, and the bank was opened on the date set by the Secretary of the Treasury.

The changes and adjustments incident to obtaining a permanent staff have been accomplished and the work of such staff has been reduced to an efficient operating basis, with a reduction, rather than an increase, in the number of employees.

Permanent quarters, of such a character as to reflect credit upon this bank and upon the reserve system, have been obtained and occupied under a long lease, the terms of which are very favorable.

The necessary equipment for the operation of the bank upon a permanent basis has been obtained and installed.

To meet the requirements of this bank and for the accommodation of member banks desiring to place deposits here a new money vault, which is the safest and strongest in western United States, has been completed and is in use. It embodies the best principles of modern vault construction and is electrically protected by the best available systems. Provision was made in this vault for the segregation of space for the Federal Reserve Agent, to which he alone has access.

By active correspondence and personal consultation the membership of State banks has been encouraged, with the result that 20 such institutions have taken membership by conversion, and 1 by entry as a State bank. Nineteen have membership under active consideration.

Important service has been extended to the agricultural and stock-raising interests of this district, the rediscounts of this bank having been almost entirely with members doing the bulk of their business with such interests.

State and municipal financing has been facilitated through purchases, under the authority of the act, of State warrants issued in anticipation of assured revenues and the warrants of various cities, aggregating \$3,073,172.32.

Purchases of United States bonds have been made with the view of participation in the eventual retirement of national-bank circulation.

There has been a growth of membership of 26 banks, bringing the total membership up to 735, and increases sufficient to create a paid-in capital of \$2,546,550.

Federal reserve note circulation has been expanded to meet all the demands of the district, eliminating in 1915, for the first time the necessity of shipping in more than nominal amounts in currency, for the purpose of moving the northwestern crops.

Continuous effort has been directed toward broadening the information of member banks with respect to the Act and their rights under it, with the result that such banks have obtained a clear understanding, on the basis of which their requirements can be readily and expeditiously met.

Discount rates have been maintained at levels which are favorable to member banks, and have created, as well, a more favorable basis than previously existed, for the discount of paper by members with their city correspondents. These discount rates have also influenced current rates of interest to commercial enterprises in the large cities of the district, which were more favorable in 1915 than in any previous year.

A system of check clearing, to which there have been 76 additions and only two withdrawals, has been established, with 68 new additions to Minneapolis and St. Paul par lists. Progress has been made toward making checks of member banks par within this district.

Personal contact with member banks has been sought by the Federal Reserve Agent, Governor, and other officers, who have appeared at and addressed 47 gatherings of bankers and business men, and who have continuously encouraged the representatives of member banks to visit this reserve bank, for the purpose of inspecting it and consulting with respect to its operations and policy, and their rights under the Act.

Through personal contact and cooperation, general and substantial support of the newspaper press within the district has been obtained, together with the support and cooperation of numerous business organizations.

The regulations of the Federal Reserve Board have been promptly applied and made effective within this district, the policy of this bank being to extend to its member banks every advantage authorized by the Act, or permitted through interpretation by the Federal Reserve Board.

Through the cooperation of correspondents representing agriculture and the principal lines of commercial business, as well as banking, a crop and business reporting system has been created, which has permitted the establishment of a series of monthly crop and business reports, which are forwarded to the Federal Reserve Board, and have been much in demand from those desiring unbiased and impartial information.

As a result of the general policy of this bank, as expressed in this summary of the year's work, a substantial public confidence has been built up, and there has been impressed upon those engaged in agriculture and business within this district the purpose of its officers and board of directors to render at all times the broadest degree of public service permitted by law, and compatible with sound banking principles. Its relations with its members have been of the most satisfactory character and have given ample evidence of the keen appreciation of such members of the new facilities afforded them, and the protection rendered by the reserve system.

ORGANIZATION OF THE NINTH BANK.

Pursuant to the authority conferred in section 2 of the Federal Reserve Act, the Reserve Bank Organization Committee created the Ninth Federal Reserve District, embracing the following territory:

	Square miles.
State of Montana.....	146, 997
State of North Dakota.....	70, 837
State of South Dakota.....	77, 615
State of Minnesota.....	84, 682
North two-thirds of Wisconsin.....	41, 000
Northern peninsula of Michigan.....	17, 000
Total.....	438, 131

The territory thus determined extends from the northern end of Lake Michigan to the Montana-Idaho line, a distance of approximately 1,500 miles east and west. Its greatest distance north and south is from the southern boundary of South Dakota to the Canadian line, or approximately 600 miles. Minneapolis was designated as the location of the Ninth Federal Reserve Bank.

It is a territory of peculiarly diversified interests. Northern Michigan is a heavy producer of copper, iron, and lumber. Wisconsin is one of the leading States of the nation in the dairy industry and agriculture and has important lumber interests in its northern portion and an important shipping business at its Lake Michigan and Lake Superior ports. Northern Minnesota is a heavy producer of iron and lumber, while the remainder of the State is largely agricultural. North and South Dakota are mainly agricultural. Eastern Montana is an agricultural and stock country. Central Montana is first in the United States in the production of copper, and western Montana is a very important producer of lumber, with large areas devoted to fruit and agriculture. These are the principal interests which the Ninth Federal Reserve Bank was established to support and serve. The territory had, at the time of the organization of the Ninth Bank, a population of 5,724,895 and member (national) banks to the number of 709.

Under the authority conferred by the act the reserve bank organization committee took appropriate steps for the election of a board of directors, with the cooperation of an informal committee within the district. On October 1, 1914, the Federal Reserve board appointed John H. Rich, manufacturer, Red Wing, Minn., as Federal Reserve agent; P. M. Kerst, clearing-house examiner, St. Paul, Minn., Deputy Federal Reserve Agent; and John W. Black, wholesale coal merchant, Houghton, Mich., as director, the three serving as class C directors. The election of directors, as provided by the act, resulted in the choice of the following class A directors: E. W. Decker, banker, Minneapolis, Minn.; J. C. Bassett, banker, Aberdeen, S. Dak.; Hon. L. B. Hanna, governor and banker, Fargo, N. Dak. The following were elected as class B directors: F. P. Hixon, lumberman, La Crosse, Wis.; F. R. Bigelow, insurance, St. Paul, Minn.; and Norman B. Holter, wholesale hardware, Helena, Mont. The organization was further perfected by the appointment, on February 21, 1915, of Hon. A. Ireland as counsel; on July 21 by the appointment of Curtis L. Mosher as assistant to the Federal Reserve Agent, and on January 5, 1916, by the appointment of Wm. H. Lightner, St. Paul, Minn., attorney, as class C director, vice chairman, and deputy Federal Reserve Agent, in place of P. M. Kerst, retired, because of pressure of other duties.

The directors met and organized on October 14, 1914, electing Theodore Wold, president of the Scandinavian-American National Bank, as governor, and C. T. affray, vice president of the First National Bank of Minneapolis, as member of the advisory council. The session was continued through the following day. A committee on permanent quarters was named, by-laws were adopted, provision was made for an official seal of the bank, and an executive committee, consisting of the Federal Reserve Agent, the Governor, and Director Decker, was elected.

On October 28 temporary offices were opened in the directors' room of the Minnesota Loan & Trust Co. in Minneapolis, and arrangements were made for the receipt of the initial reserve and capital payments. Immediately thereafter temporary quarters were obtained in the Lumber Exchange Building, which were occupied until the permanent quarters in the New York Life Building were ready for occupancy on January 1, 1915.

Telegraph notification was received from the Comptroller of the Currency on November 14, 1914, that the organization certificate had been executed in Washington, and upon November 16 the Ninth Federal Reserve Bank was formally opened for business.

The official and clerical staff of the bank is numerically less at the end of the year than at the beginning.

The membership of the Federal Reserve Bank of Minneapolis, at the time of its organization, consisted of 709 banks. Since that date membership has been acquired by 26 banks, bringing the total up to 735. One of these is the largest State bank in Minnesota, which has entered the system as a State bank. Twenty are conversions of State banks into national banks. The remainder are new national banks. In addition to these changes there were in process of conversion upon December 31, 19 State banks, which will take membership, with prospective additional increase through the organization of eight new national banks.

EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS.

Pursuant to the authority of the by-laws, copy of which is attached, the executive committee has exercised the powers indicated in section 2 thereof, and has carried on the work assigned by the board of directors, and acted in an advisory capacity to the officers of the bank, during the intervals between directors' meetings. The executive committee has consisted, since the organization of the bank, of the governor, the Federal Reserve Agent, and one director, and, being small in size, has been able to meet frequently. The practice of the committee has been to meet at 11 o'clock in the bank on each business day of the year, there to pass upon all paper submitted for rediscount, and conduct other business authorized by the by-laws. It has maintained its daily sessions with remarkable success, and has been a highly efficient agency in supervising and facilitating the business of this bank.

The board of directors, being scattered, in point of residence, from the central part of Montana to the northern peninsula of Michigan, has not been able to meet frequently, but in accordance with the by-laws has held regular sessions on the first Monday of every month at 11 o'clock a. m. in the directors' room of this bank. The continuing service of the executive committee has made it possible to avoid special meetings of the full board. The sessions of the directors have been thorough and searching, and each member has shown a willingness to devote all the time required to a proper handling of the business in hand. Careful analysis and discussion of business and financial conditions throughout the district, changes in currents of trade and industry, developments in agriculture, and consideration of discount rates have become regular features of the board's sessions, and have been a means of harmonizing opinion as to the proper course and policies for this bank to pursue. The directors have called at the bank frequently, between regular meetings, and have kept in close touch with its affairs. The weekly statements of the bank and all other information of value are regularly mailed to each director.

OPERATING DIFFICULTIES.

The Ninth Federal Reserve Bank was opened almost immediately after \$17,000,000 of Aldrich-Vreeland emergency currency had been issued in this district. The opportunity to supply the needs of its members had therefore been anticipated in advance of its coming into the field. During the latter half of November and the month of December, 1914, such rediscounts as were afforded members were largely courtesy transactions, the greater part representing the efforts of larger banks to acquaint the public with the new Federal Reserve currency. After January 1, 1915, the ninth district entered a period when all credit demands had been satisfied, and loans dropped to the lowest ebb in many years. Rates on commercial paper took new low levels. The demand at country points was light and banks in larger centers experienced much difficulty in employing their funds to advantage. There was no change in this condition until spring farm activities began to provoke some demand in early May. The Ninth Bank then enjoyed a period during which there was a

moderately active demand from its members, which continued during June, July, and August. This demand held during the first week of September, and then moderated to some extent. From late September to the end of the year the figures show comparatively small changes.

This year, in brief, has been a year of cheap money rates and ample money in the ninth district. The excess reserve of member banks in the ninth district is significant of this condition, and is shown by the following figures issued by the Comptroller of the Currency:

As of—	Reserve required.	Reserve held.	Excess.
Dec. 31, 1914.....	\$44,781,908	\$80,113,119	\$35,332,010
Mar. 4, 1915.....	47,909,124	111,069,784	63,160,660
May 1, 1915.....	47,027,161	106,282,875	59,255,714
June 23, 1915.....	45,826,686	94,482,540	48,655,854
Sept. 2, 1915.....	47,024,900	101,210,407	54,185,506

The volume of rediscounts has been depressed in proportion to the lack of normal activities in commercial and industrial business, and throughout the year, has been below what might reasonably be expected under the usual crop and business conditions. But one hope of active rediscounting presented itself, and that hinged upon the marketing of an unusually large grain crop in the Northwest. A production of 100,000,000 bushels of wheat over and above the usual crop, indicated that there would be a sharp and continuing demand during the last quarter of the year. Very unusual weather conditions slowed down the marketing of the new crop immediately after harvest. Rain, wet roads, the demands of fall plowing, and a disposition to hold grain for better prices, combined to influence farmers to market only as they needed funds. The receipts at terminal markets were extremely light during September and October, and the slow movement made it possible to finance the marketing of the crop very largely on the farmers' money. The demand upon banks was light, and the large elevator concerns, which usually begin issuing terminal grain paper by mid-October, had put out only very small amounts as late as the end of the year. In response to higher prices, the December movement of grain was very active. There is a very large amount of small grain still held on farms, which will come gradually into the markets.

These conditions resulted in the peculiar situation, that during a period when country banks and the grain trade are usually heavy borrowers, the large elevator concerns were satisfying their requirements with moderate amounts of their straight paper and country banks were paying up.

The volume of current rediscounts, acceptances, and investments of the Ninth Federal Reserve Bank, by 15-day periods since organization, is shown in Table A, attached hereto. There is shown, in Table B, the total rediscounts and bills payable of member banks, by States, their deposits, and their rediscounts with this bank, as of the date of the Comptroller's call on November 10. Table C gives the amount of rediscounts by States and statistics relating thereto. Table D gives an analysis of rediscounts.

DISCOUNT RATES—CHARACTERISTICS OF 1915 BUSINESS.

The directors and executive committee of this bank have endeavored to hold rates of discount at a level low enough to fully and amply accommodate any member bank and at the same time avoid a rate so low as to encourage rediscount for the sake of the intermediate profit. Within certain narrow limits it is probably true that these rates could have been varied during the year without any appreciable effect on the amount of business coming to this bank. In other words, member banks

have not used this bank except where necessity existed and under such necessity the rate has not been a material factor in determining whether they would or would not make use of our facilities. While it is possible that a slightly higher rate might have been charged in some cases, with additional profit to the bank, it has been the opinion of the directors and executive committee that rediscounts should not be taxed with all the traffic could bear, but that the policy should be that of making a fair, moderate and reasonable rate for all business offered.

The course of the discount rates of this bank, and all changes therein, with the dates on which such changes were made, is shown in Table E.

The interest rates prevailing over the district must be borne in mind in order to appreciate the very attractive basis afforded for the rediscount of the paper of member banks. Throughout the well-settled and well-developed farming districts of central Wisconsin and southern Minnesota, farmers of established credit are customarily able to borrow at 6 and 6½ per cent. Throughout the less developed sections of northern Wisconsin and northern Minnesota current rates are 7½ to 8 per cent to customers of good credit. In South Dakota rates vary from 7 to 8 per cent in the well developed eastern portion and from 8 to 12 per cent in the thinly settled western portion. Approximately the same rates (except that the legal rate is 10 per cent) apply in North Dakota, the eastern portion of which is a well developed and prosperous farming country, while the western part is undergoing rapid development and is practically a new country. The rates in Montana, which is a State of immense extent, undergoing settlement and development, and thinly populated, range from 8 to 12 per cent, with an average of 10 per cent.

The Ninth Federal Reserve District has been prosperous since the founding of the bank. It can not be said that an emergency has existed in the district at any time since this bank was opened on November 16, and there has, therefore, been no opportunity to make a practical test or demonstration of the efficiency of this bank during a period of stress.

In the ninth district, as elsewhere, the Federal Reserve Bank was an entirely new element in banking. The readjustment of the customary practices of member banks, sufficient to give it a satisfactory volume of rediscounts, was slow. Business and agriculture were placing no burdens upon local banks greater than they could satisfactorily carry. The average member bank has had less occasion during 1915 than in former years to borrow in order to satisfy current demands.

The influences of the year have been such as to encourage those in business to exercise caution and prudence, and bank depositors generally have shown hesitation in drawing down their balances or in embarking with the usual freedom in new enterprises.

It was evidence of a sound and progressive policy that during a period when bank deposits have been high and the demand for loans less than normal, this bank has gradually increased the volume of its rediscounts for its members and brought its earnings up to a point sufficient to cover all of its current expenses and create a reasonable balance to profit and loss. This would not have been possible had not the bank functioned perfectly, and as was intended by the law. It is also significant of the persistent and continuous effort of the officers to have member banks and the public clearly understand its purpose.

A gradual spread of a practical understanding of the workings of the Federal reserve system has undoubtedly had a beneficial influence upon the amount of business done during the year. Such pressure as has occurred within the district has been largely local. Where local strain has appeared this bank has been quick to extend assistance as required by its members, and the active efforts of the officers of the bank has been directed throughout the year toward acquainting member banks with the degree of support this bank stands ready to extend.

As an incidental but important part of the work of creating a proper understanding of the Act and the Ninth Federal Reserve Bank, the Federal Reserve Agent and Governor have taken special pains throughout the past 14 months to meet with bankers at their group meetings and conventions and engage in a practical discussion of the subject. The Federal Reserve Agent has made 20 such addresses during this period. The Governor has addressed 16 State and district conventions, while other officers of the bank have done similar work when opportunity afforded. The bank has been presented, since organization, at 47 such gatherings where opportunity for questions and informal discussion have been afforded. It has been found that personal contact with member bankers and the public, especially when there has been opportunity to answer questions and engage in discussions, has been of much service in giving member banks a working knowledge of the law and informing them as to the details of rediscount and currency issue.

The service extended by the press of the ninth district in spreading information would have proper acknowledgment. The attitude of the newspapers has been extremely friendly and editors have shown a keen interest in furthering the new banking system wherever opportunity has afforded.

The earnings and expenses of the Ninth Federal Reserve Bank since organization are shown in Table F.

FEDERAL RESERVE NOTES.

The policy of the Ninth Federal Reserve Bank with respect to Federal Reserve notes has been largely governed by the purpose of providing an ample volume of currency for the regularly occurring demands of the crop-moving period in the fall, and the Federal Reserve notes have been issued freely in response to the requirements of member banks. As previously noted, the issue of such notes for crop-moving purposes from October 1 to December 31, 1915, amounted to \$8,000,000, in addition to which a considerable part of the \$6,000,000 of currency previously issued was also available. The Federal Reserve notes entering directly into the crop moving represent a smaller volume than has ordinarily been required in this district. This is accounted for by the very slow movement of the grain crops and the large amounts of available funds in all commercial banks and principally in the banks of Minneapolis, St. Paul, and Duluth, which, with the larger firms in the grain trade, bear the burden of crop financing.

Member banks have expressed much satisfaction in their ability to promptly obtain currency for local use, and Federal Reserve note operations have entailed frequent shipments to outside points in the district. Returned Federal Reserve notes coming back into the hands of the bank did not reach a sufficient volume during the year to make it necessary to return any to the Federal Reserve Agent, and damaged and mutilated currency returned to this bank did not reach proportions requiring any shipments to Washington for redemption. During the early part of 1916 it will be necessary for the bank to make return to the Federal Reserve Agent of issued Federal Reserve notes and also to forward mutilated for destruction. The year's operations have not presented sufficient time to make any estimate of the cost of Federal Reserve notes in relation to the period of their life and usefulness, and the cost analysis shown in Table H is therefore upon the basis of new notes.

Shipments of Federal Reserve notes from Washington to the Federal Reserve Agent of this bank aggregated \$19,000,000 during the period closing December 31, on which date there remained in the hands of the reserve agent \$5,000,000 in unissued notes, and in the hands of the Treasury Department at Washington, subject to the order of this bank, an additional \$3,000,000 ready for shipment. A total of \$30,000,000 has therefore been made available to the district.

CHECK CLEARING.

Pursuant to the authority of the Federal Reserve Board, a system of check clearing was established in the Ninth Federal Reserve District on June 1. Participation in check clearing was purely voluntary on the part of member banks, but the system was established with 110 banks participating, and from June 1 to December 31 there were 76 additions and only 2 withdrawals to the system. The check-clearing system has operated without overdrafts and without deficiencies in reserve. Of the 186 members in the collection system, 68 are new additions to Minneapolis and St. Paul par lists, and this benefit has been passed on to their customers. The average number of items daily and the average amount of items daily, by months, is shown in Table G.

EXCHANGE CHARGES IN THE NINTH DISTRICT.

The customary charges made by the country banks on checks sent them by their city correspondents vary from 10 cents per \$100, based on the total included in remittance letters, up to 15 cents per \$100, based on each separate item. In the last few years the city banks have tended to pay a constantly increasing amount on the same volume of business to their country correspondents for exchange charges, as more and more banks are basing their charges on each separate item instead of on total of letters. Since the establishment of the Federal Reserve Banks and their collection system there has been no change in the basis on which such charges are made. A number of banks that formerly charged exchange have joined the Federal Reserve Bank collection system and now remit for their checks at par to their city correspondents. The remainder of the 186 banks that are members of the Federal Reserve Bank collection system were not charging exchange prior to joining the system. It seems to be the purpose of the banks of the ninth district to wait development of the collection system of the Federal Reserve Bank before any action is taken or changes are made relative to exchange charges. It appears that member banks of this district believe that eventually they will be compelled to cease charging exchange to the indorsers of checks sent them for collection or credit, but owing to the loss of profit they will not give up this practice until the situation is such that they can no longer be made. A total of 960 banks (State and national) in the ninth district do not charge exchange on checks drawn upon them.

APPLICATIONS FOR FIDUCIARY POWERS.

Observation of conditions in this district has gradually brought the officers of this bank to the conviction that the granting of fiduciary powers to small banks under certain restrictions is of great advantage to their communities. It has been observed that many towns, where sound and well-managed banks are successfully operated, are without the advantage of trust company service. With the reservation that such powers should not be granted except where member banks are under management that is above criticism, and where the character and integrity of their officers is thoroughly established, it has been the policy of the officers of this bank to recommend the granting of fiduciary powers to some banks that are not of commanding size. It is believed that it is safe to trust such powers to a small bank, if well managed, as well as to a large bank, and that the favorable action of the Federal Reserve Board in such cases confers valuable benefits upon the community. Especially in the administration of estates it has been the view of the officers of this bank that it is better to trust to the judgment and integrity of a sound and well-managed member bank than to an individual approved by the court, and that, having more at stake and having better facilities than an individual, a properly managed member bank is in better position to render this necessary service.

On February 18 the counsel for this bank rendered an opinion upon clause K, section 11 of the Act, with reference to the granting of fiduciary powers, in which he expresses the following conclusion:

"It follows that * * * national banks can not lawfully act as trustees, executors, administrators, and registrars of stocks and bonds unless there is State legislation expressly conferring upon them the power to do so. At present there is no such legislation in any of the six States comprising the ninth Federal reserve district."

Since writing this opinion, favorable legislation has been adopted in South Dakota, but in Michigan, Wisconsin, Minnesota, North Dakota, and Montana the situation remains as then outlined, and counsel has refused favorably to certify applications from those States.

This suggests the desirability of State legislation expressly conferring the right to exercise the powers granted under the Federal Reserve Act, without which favorable action on such applications as come from the States of the ninth district, with the exception of South Dakota, will still be subject to question as to the legal right of the applicant to exercise the powers granted.

RELATIONS WITH MEMBER AND OTHER BANKS.

The attitude of the Ninth Bank toward the national banks of its district has been that of an organization receptive to the suggestions and comments of its stockholders. Visiting representatives of member banks have been reminded that while this bank has the obligation of rendering them effective service the obligation rests upon them as stockholders to maintain an active interest in it and assist it through friendly criticism. Every effort has been made to encourage representatives of member banks to visit the bank, and since its organization a large amount of correspondence has been carried on for the purpose of creating and maintaining personal contact between the officers of this bank and the official heads of member banks. The attitude of the members toward the Federal Reserve Bank has been at all times friendly. Some few institutions have been apprehensive of competition that might result from the operations of the Ninth Bank, but even under this condition have not hesitated to say that their membership constitutes a very valuable insurance, and that this bank is a very necessary and important safeguard.

The larger banks voluntarily state that the question of receiving dividends on their stock is unimportant as compared with the advantages they receive through the holding of stock, and their comments upon the management of the bank, so far as they have reached the officers of this institution, have been commendatory, friendly, and helpful.

Much the same attitude has been maintained toward the numerous State banks of this district, and through personal contact and correspondence a continuous effort has been made to interest them in the facilities offered by the Federal reserve system and encourage them to take membership. These activities have resulted in the membership of the largest State bank in Minnesota. A number of other strong institutions have been brought to a point where they are giving the subject serious consideration. The attitude of State banks in general has been friendly. While there has yet been no general movement of State banks toward membership, and while many such banks show a desire to wait and observe the workings of the Federal Reserve System, the year has brought 20 ninth district banks into the system, through the process of conversion into national banks, and 19 more are undergoing conversion. This process, rather than direct acquisition of membership as State banks, seems to be the favored method of entry to the system. This bank has had the helpful cooperation of the State superintendent of banks of Minnesota and the ~~comptroller of banking~~ of Wisconsin, and there has been no opposition on the ~~part of~~ toward the acquisition of membership in the reserve system ~~by~~ the laws of their States.

CREDIT NEEDS OF THE DISTRICT.

The only credit requirements of the ninth district during the past 14 months that were of any considerable magnitude had been satisfied before the Ninth Bank was opened for business on November 1, 1914, as previously noted. Following the opening of the bank the district passed into a period of very slack demand, during which there was a heavy accumulation of money in all banks, and restricted opportunities to loan. From May 1 on throughout the year there was a gradually and very noticeable drift back to normal conditions. The recovery was very slow. Business activities have not yet reached a point, although the closing month of the year showed considerable advance, where they have made greater demands than banks locally have been able to satisfy. The volume of rediscounts carried by the Ninth Bank has increased more in response to steady and persistent efforts to create a better understanding of the system and the facilities afforded, than from any sharp demand. Such demand, when it has manifested itself, has been confined to districts or industries especially affected by the disturbed conditions of the year. Where opportunities for service have presented themselves the support rendered by this bank has been immediate and effective. Experience gained during the year, through the rediscounts for scattered member banks, points conclusively to a gradual growth of this business to proportions that will be satisfactory, even in years of normal business. Where member banks have had the opportunity of utilizing the facilities afforded, we have invariably found them pleased with the direct methods employed.

A marked reluctance to rediscount was manifested by practically all members at the opening of the bank. To use its facilities has meant the abandonment, in many cases, of firmly rooted precedents. The task of acquainting more than 700 banks with their rights under the Act was formidable, but a necessary preliminary to the development of a volume of business. Excellent progress has been made, and as member banks have been brought into intimate touch with their reserve bank they have invariably been highly pleased with its ability to render them practical support.

The only credit demands which have presented themselves which have not been fully and promptly met have come from farmers who desire cheap money to enable them to hold grain in the anticipation of a better market. The problem of meeting this demand is extremely difficult. This bank placed in operation the commodity rate authorized by the Federal Reserve Board as soon as authority was received, and has done some business under it. The application of the commodity rate under the requirement that the grain held as security against the paper rediscounted be stored in a "warehouse" (country elevator) necessarily involves that the farmer enjoying the 6 per cent rate must first place his grain in store and pay charges thereon. The storage charges, plus interest on the loan at 6 per cent, invariably increases the cost of the accommodation extended far beyond the nominal rate of 6 per cent. The interest paid, plus the elevator charges, ranges all the way from 17 to 21 per cent on the money borrowed.

The farmers in the ninth district have been accustomed to making some use of elevator tickets as collateral for their paper at the banks, but the process is not highly regarded because of the cost. They have also been accustomed to borrowing on the security of chattel mortgages on grain. Numerous letters have reached this bank from all parts of the grain territory inquiring for Government funds to be loaned on security of grain held on the farm. The supposition of the writers has uniformly been that this bank could discount paper based on grain, at the commodity rate, the rate to the maker to be 6 per cent. Some have thought that through Federal action, this bank could deal direct with the farmer. These requests have been supported by the argument that it is unfair to force the farmer to market his grain immediately after harvest, when all farmers are marketing grain and the market is glutted. The only

method that will afford them proper relief, they argue, is a system that will permit them to hold their own grain in their own storage. Bankers in grain territory have very frequently made such loans, but on account of the risk of the removal of the security they have been compelled to confine their accommodation to farmers of established credit and men favorably known to them.

The Ninth Federal Reserve Bank has always been ready to rediscount paper based on grain, at its current discount rates, and under its rules, when presented by a member bank for rediscount. The demand here involved is for a special form of credit, at a preferential rate.

No method of satisfying this demand presents itself unless some condition can be created under which the integrity of the security for the loan can be fully and amply protected. It is possible that through an amendment to the Act some method might be devised by which a member bank could safely loan on grain stored on the farm and be permitted in such cases to rediscount the note as commodity paper. It is not probable that such a regulation can be worked out, unless it is possible to make it Federal offense to remove grain stored in such a manner, when the note has been discounted at a Federal Reserve Bank. No comment is made on the question of the desirability of incorporating further preferential credit provisions in the Act, or identifying the already liberal accommodation to agriculture therein provided. Farmers' organizations in the ninth district have been very active in discussing rural credit questions, and especially of affording the farmer more opportunity to loan at moderate rates upon farm products on his own farm. This agitation will probably become increasingly active.

EXCHANGE OPERATIONS.

The demand for eastern exchange in this district is so steady that for the greater part of the year a premium is paid. For a period of from two to three months, during crop-moving time, Chicago and eastern funds go to a substantial discount. It was therefore considered desirable by the officers of this institution to accumulate funds for the use of member banks when the turn came. This was done by the acceptance of eastern exchange at a discount based on the cost of shipping mixed currency to or from the nearest subtreasury. These accumulated funds will be sold on the same basis.

It is believed that the policy of establishing a flat rate is sound and desirable and that the building up of balances in the East at a fixed discount rate and the sale of these balances at a fixed premium will do much to prevent violent rate fluctuations.

NEW MONEY VAULT.

The permanent quarters occupied by the Federal Reserve Bank of Minneapolis contained a vault which, with the installation of modern money chests, has been of value for the safe-keeping of tellers' current funds, books, and documents. It was not sufficiently strong to house deposits of this bank, and it became necessary to provide new and better facilities. Pending the construction of a new vault, Federal Reserve notes and deposits were carried in various vaults of the commercial banks in Minneapolis and comparatively little cash was held by the reserve bank itself.

The new money vault was completed and put in use on October 1. Its walls, floor, and ceiling are constructed of 5 inches of steel, heavily protected by steel bars and railroad rails laid in concrete. The main door is 7 feet 7 inches in diameter and 15 inches thick, exclusive of bolt frames, and is ground into the frame to a steam-tight fit. An emergency door is provided to guard against lockouts. Both the main and emergency doors are solid. The construction avoids piercing them for the purpose of operating the bolt motors. The locking mechanism is controlled by foot

The vault is 8 feet 2 inches high, 18 feet 8 inches wide, and 9 feet deep inside, and provides 15 steel lockers for the use of the Federal Reserve Bank and 12 similar lockers, within a space segregated for the Federal Reserve Agent, for the use of that department. The space allotted the Federal Reserve Agent is protected by grills and may not be entered except by him or his representative.

The electrical protection of the vault is of the most modern and complete character and is connected with large alarm gongs inside the banking office and outside the building on the street.

The officers and directors of the bank gave much thought and investigation to this subject before contracts were let and the designs of the engineers were not accepted until there had been a most thorough inquiry, for the purpose of providing for this bank a vault of such strength and such high quality as to make it the most modern and the safest in the western United States. The space provided therein is sufficient for the safeguarding of large deposits from member banks and the attention of such institutions is being called to the additional safety involved in the deposit of their funds here.

ELECTION OF DIRECTORS.

Vacancies occurred in classes A and B on the board of directors of this bank, which were filled by election in November. The process of classifying the member banks by groups and carrying the election provisions of the act into effect, made it possible to observe some points that seem worthy of consideration.

Classification of member banks by groups on the arbitrary basis of the amount of their capital stock and surplus, resulted in the establishment of groups 2 and 3, both consisting of members scattered over the whole or parts of six different States.

As a result of the scattered location of the voting members of the participating groups, the vote in both groups was light and the vacancies on the board were filled through the balloting of only 25 per cent of the members entitled to vote. It seems unfortunate that after active efforts to interest every member having a right to vote, a greater interest was not manifest in so important a matter. It is probable that the scattered condition of the member banks alone will always make it difficult to arouse an active interest in the election of directors. As a remedy for this condition, it is suggested that attempts to classify the board of directors into three groups be abandoned in favor of a plan under which all member banks will vote at one time on each of the vacancies occurring among the elected members of the board. This would involve an amendment to the act providing for the selection by member banks of five of the nine members of the board of directors, such nominees to be either bankers or business men, at the option of the member banks. The remaining four should be appointed by the Federal Reserve Board.

As an incident to the election of directors, a member bank nominated a banker interested in four State banks, but not connected with any member (national) bank. Counsel for this bank ruled that there is nothing in the law to prevent placing the name of the representative of a nonmember bank upon the official ballot, if such nominee is regularly nominated. This suggests that there is at least a possibility of the election of a director having no interest in any member bank. Such an election could not occur except in class A. While nominees for class A shall be "chosen by and be representative of the stockholding banks," they might not necessarily be bank officers, directors, or stockholders. In cases where such nominees have active bank connections it is suggested that they be made ineligible except where such connections are with stockholding banks. Such restrictions of nominations in class A, and a simplification of the process of election will undoubtedly contribute to a greater interest by banks eligible to vote, in the elections which will occur from year to year.

TABLE A.—*Rediscounts; bills bought, United States bonds and investments of the Federal Reserve Bank of Minneapolis, by 15-day periods since organization.*

	Rediscounts for member banks.	Bills bought (accept- ances).	United States bonds.	Investments.
c. 1.....	\$29,449.01			
c. 15.....	58,611.67			
1. 2.....	424,644.51			\$684,394.06
1. 15.....	194,389.71			676,975.07
b. 1.....	229,606.02			1,076,975.07
b. 15.....	287,696.05		\$550,000	1,076,975.07
u. 1.....	215,051.93		650,000	400,000.00
u. 15.....	365,627.29	\$250,749.19	950,000	400,000.00
o. 1.....	395,327.39	336,870.75	950,000	455,000.00
o. 15.....	395,918.91	427,849.82	1,025,000	473,000.00
y. 1.....	421,513.84	394,987.11	1,025,000	634,360.85
y. 15.....	504,696.52	258,987.79	1,025,000	663,970.85
ne 1.....	687,891.95	174,839.11	1,025,000	698,601.93
ne 15.....	838,435.60	174,934.16	1,025,000	397,162.27
ly 1.....	1,143,109.42	147,758.00	1,025,000	367,806.82
ly 15.....	1,472,538.24	107,008.12	1,025,000	444,931.82
ig. 1.....	1,721,292.02	219,279.06	1,025,000	538,952.26
ig. 15.....	1,869,828.12	236,447.97	1,025,000	569,325.54
pt. 1.....	1,937,230.61	279,531.35	1,027,000	891,333.78
pt. 15.....	1,752,437.65	315,035.23	1,027,000	736,997.67
t. 1.....	1,562,371.76	349,600.63	1,027,000	795,498.50
t. 15.....	1,562,908.98	297,527.87	1,032,000	770,498.50
ov. 1.....	1,425,439.63	357,496.69	1,107,000	792,812.28
ov. 15.....	1,504,280.57	361,275.21	1,159,820	770,621.97
sc. 1.....	1,553,125.18	402,028.49	1,189,820	890,828.25
sc. 15.....	1,439,850.05	431,471.35	1,303,820	893,430.68
n. 1.....	1,222,161.51	477,806.40	1,328,820	910,513.28

TABLE B.—*Rediscounts and bills payable, showing the deposits and bills payable of member banks in the ninth district, and their rediscounts with the Federal Reserve Bank, as of the date of the comptroller's call of November 10, 1915.*

MICHIGAN.

Deposits.....	\$26,020,848.00
Rediscounts and bills payable.....	141,338.87
Rediscounts with Federal Reserve Bank.....	14,885.71

MINNESOTA.

Deposits.....	313,448,840.00
Rediscounts and bills payable.....	2,424,103.02
Rediscounts with Federal Reserve Bank.....	856,329.54

MONTANA.

Deposits.....	46,025,062.00
Rediscounts and bills payable.....	278,176.00
Rediscounts with Federal Reserve Bank.....	102,224.58

NORTH DAKOTA.

Deposits.....	49,926,472.00
Rediscounts and bills payable.....	589,721.91
Rediscounts with Federal Reserve Bank.....	124,155.61

SOUTH DAKOTA.

Deposits.....	47,669,498.00
Rediscounts and bills payable.....	360,390.04
Rediscounts with Federal Reserve Bank.....	284,003.51

WISCONSIN.

Deposits.....	67,237,795.00
Rediscounts and bills payable.....	573,502.80
Rediscounts with Federal Reserve Bank.....	173,525.63
Total deposits of member banks.....	550,328,515.00
Total bills payable.....	4,367,232.64
Total rediscounts with Federal Reserve Bank.....	1,555,124.58

TABLE C.—*Rediscounts by States, showing, by States, the amount of discounted paper held by the Federal Reserve Bank of Minneapolis, the number of member banks, and the member banks rediscounting Dec. 31, 1915.*

State.	Amount of rediscounts.	Number of member banks.	Number of banks redis- counting.
Minnesota.....	\$674,270.31	279	55
North Dakota.....	98,289.55	152	16
South Dakota.....	230,802.26	119	22
Wisconsin.....	70,116.72	88	9
Montana.....	48,232.14	66	8
Michigan.....	27,904.73	31	2
Total.....	1,244,615.71	735	112

Total number of pieces, 4,054.

TABLE D.—*Statistics of rediscounts handled by Federal Reserve Bank of Minneapolis from Nov. 16, 1914, to Nov. 15, 1915.*

	Minnesota.	North Dakota.	South Dakota.	Wisconsin.	Montana.	Michigan.	Total and av- erage.
Number member banks....	279	152	119	88	66	31	725
Number member banks ac- commodated.....	78	39	32	20	23	5	197
Number applications made for rediscount.....	292	128	116	128	72	19	775
Number pieces passed upon.	1,611	837	554	872	251	59	4,054
Average amount of each piece.....	1,623	1,100	1,212	1,620	1,630	3,234	1,435
Total amounts rediscounted	\$2,346,386	\$851,514	\$666,569	\$1,323,480	\$436,037	\$134,513	5,790,899

Average amount of each piece discounted, \$1,435; smallest item, \$26.27; largest item, \$100,000.

TABLE E.—*Discount rates, showing the course of the rates of the Federal Reserve Bank of Minneapolis and dates on which changes were made.*

	30 days.	60 days.	90 days.	6 months.	Commod- ity paper.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16.....	6	6½	6½	6½	.....
Dec. 7, 1914.....	5½	6	6	6	.....
Dec. 24, 1914.....	5	5½	5½	5½	.....
Jan. 9.....	4½	5	6	6	.....
Feb. 2.....	4½	5	5½	5½	.....
Feb. 19.....	4	4½	5	5½	.....
Mar. 2.....	4	4½	5	5	.....
May 22.....	4	4	5	5	.....
Sept. 16.....	4	4	4½	5	.....
Sept. 27.....	4	4	4½	5	5

TABLE F.—*Earnings and current expenses, showing the earnings of the Federal Reserve Bank of Minneapolis and current expenses, by periods, since organization.*

NOV. 16, 1914, TO JAN. 1, 1915.

Earnings from—	
Bills discounted, member banks.....	\$1,322.47
Bills purchased (acceptances).....	0
Investments:	
United States bonds.....	0
Warrants.....	0
Sundry profits.....	0
Total earnings.....	1,322.47
Current expenses.....	11,647.24

JAN. 1 TO JULY 1, 1915.

Earnings from—	
Bills discounted, member banks.....	\$10,780.65
Bills purchased (acceptances).....	2,030.17
Investments:	
United States bonds.....	7,480.56
Warrants.....	10,643.26
Undry profits.....	75.48
Total earnings.....	31,010.12
Current expenses.....	39,152.17

JULY 1 TO DEC. 31, 1915.

Earnings from—	
Bills discounted, member banks.....	39,708.10
Bills purchased (acceptances).....	3,217.73
Investments:	
United States bonds.....	11,312.69
Warrants.....	10,287.56
Undry profits.....	4,073.11
Total earnings.....	68,599.19
Current expenses.....	41,215.29
Total earnings since Nov. 16, 1914.....	100,931.78
Total current expenses.....	92,014.70
Balance.....	8,917.08
Less commissions to other Federal Reserve Banks.....	819.48
Balance.....	8,097.60

NOTE.—Much more favorable earnings of the last half of 1915 should be noted.

TABLE G.—Check clearing, showing the operation of the intradistrict system of the Ninth Federal Reserve Bank.

NUMBER OF ITEMS DAILY.

	City.	County.	Other Federal Reserve Banks.	Banks in other Federal Reserve cities.
July.....	10	57	0	5
August.....	12	85	0	5
September.....	20	140	0	8
October.....	24	149	0	8
November.....	28	164	0	6
December.....	16	177	0	4

AVERAGE AMOUNT OF DAILY ITEMS.

July.....	\$11,281	\$6,619	0	\$30,100
August.....	12,627	20,321	0	22,780
September.....	33,600	46,566	0	95,757
October.....	32,894	40,940	0	157,526
November.....	55,908	38,202	0	192,40
December.....	32,687	35,806	0	77,662

TABLE H.—*Cost of Federal Reserve notes printed for Federal Reserve Bank of St. Louis from Nov. 1, 1914, to Nov. 1, 1915.*

AMOUNT ORDERED.	
\$5.....	\$14.00
\$10.....	8.10
\$20.....	5.10
\$50.....	2.10
\$100.....	2.10
Total.....	30.00
NUMBER OF NOTES.	
\$5.....	2,800
\$10.....	816,000
\$20.....	262,000
\$50.....	16,000
\$100.....	20,000
Total.....	3,914,000
NUMBER OF SHEETS (FOUR NOTES TO THE SHEET).	
\$5s.....	700
\$10s.....	204,000
\$20s.....	65,500
\$50s.....	4,000
\$100s.....	5,000
Total.....	270,500
TOTAL COST OF NOTES (UNDELIVERED).	
Cost of paper, 976,000 sheets, at \$4.67 per M.....	\$45.35
Cost of printing 976,000 sheets, at \$30.034 per M.....	29.10
32 face plates.....	2.10
Total.....	76.55

(Cost of face plates includes back plates, dies, rolls, and allowance for repairs.)

Table showing maximum notes the plates will print and our credit for unused portion.

[The life of a plate is 50,000 sheets.]

Denomination.	Number of plates.	Maximum number of notes.	Number of notes printed.	Cost of plates.	Portion used.	Balance
5.....	19	3,800,000	2,800,000	\$1,274.00	\$938.74	\$335.26
10.....	7	1,400,000	816,000	469.37	273.58	195.79
20.....	3	600,000	262,000	201.15	84.48	116.67
50.....	2	400,000	16,000	134.11	5.56	128.55
100.....	2	400,000	20,000	134.11	6.71	127.40
Total.....	33	6,600,000	3,904,000	2,212.74	1,308.67	904.07

COST PER 1,000 NOTES (UNDELIVERED).

Plates.....	\$1.27
Paper.....	4.67
Printing.....	30.03
Total.....	36.97

Cost per \$1,000 (delivered) based on present rates.

	\$5s.	\$10s.	\$20s.	\$50s.	\$100s.
ates.....	\$0.0671	\$0.0335	\$0.0167	\$0.0067	\$0.0033
per.....	.2334	.1167	.0584	.0233	.0117
nting.....	1.5017	.7508	.3754	.1502	.0751
Undelivered.....	1.8022	.9010	.4505	.1802	.0901
stage.....	.05	.0950	.0480	.0192	.0096
insurance.....	.12	.12	.12	.12	.12
Delivered.....	1.9722	1.1171	.6185	.3194	.2197

TABLE I.—Record of Federal Reserve notes, Dec. 31, 1915.

Denomination.	Total printed for this bank.	Received from comp-troller.	Issued to bank.	In agent's hands.	Balance with comp-troller.
.....	\$14,000,000	\$7,640,000	\$5,662,000	\$1,980,000	\$6,360,000
0.....	8,160,000	6,480,000	4,960,000	1,520,000	1,680,000
0.....	5,040,000	4,080,000	3,120,000	960,000	960,000
0.....	800,000	400,000	110,000	290,000	400,000
00.....	2,000,000	400,000	150,000	250,000	1,600,000
Total.....	30,000,000	19,000,000	14,002,000	5,000,000	11,000,000

Federal Reserve notes in agent's hands, also gold deposited to retire notes issued to the bank held in the following compartments.

FEDERAL RESERVE NOTES HELD.

Compartment.	\$5	\$10	\$20	\$50	\$100
to. 1.....		\$720,000	\$400,000		
to. 2.....	\$260,000				
to. 3.....	360,000				
to. 5.....				\$290,000	\$250,000
to. 6.....	720,000				
to. 7.....	640,000				
to. 8.....		800,000	560,000		
Total.....	1,980,000	1,520,000	960,000	290,000	250,000

GOLD HELD.

Compartment.	Bearer certificates.	Order certificates.	Credit in gold fund.	Gold coin.	Total.
No. 4.....	\$900,000				\$900,000
No. 5.....	960,000	\$5,630,000	\$4,000,000		10,590,000
No. 9.....				\$1,000,000	1,000,000
No. 10.....				1,000,000	1,000,000
No. 11.....				510,000	510,000
Total.....	1,860,000	5,630,000	4,000,000	2,510,000	14,000,000

Total Federal Reserve notes held by Federal Reserve Agent..... \$5,000,000
 Total gold coin and certificates held..... 10,000,000
 Total credit in gold fund..... 4,000,000

Total funds of Federal Reserve Agent..... 19,000,000

TABLE J.—*Distribution of maturities of paper and short-term investments held by Federal Reserve Bank of Minneapolis, at close of business Dec. 30, 1915.*

	Within 10 days.	After 10 but within 30 days.	After 30 but within 60 days.	After 60 but within 90 days.	After 90 days.	Total.
Bills discounted members.....	\$217,331.11	\$163,925.63	\$196,355.42	\$211,673.66	\$510,199.66	\$1,299,495.50
Bills bought in open market..	14,154.68	160,106.77	172,379.68	131,165.27	.....	477,806.40
Total bills.....	231,485.79	324,032.40	368,735.10	342,838.95	510,199.66	1,777,291.90
Short-term investments, exclusive of United States bonds.....	.....	10,096.83	164,968.72	625,063.72	60,375.00	860,513.28

BY-LAWS OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board the first Monday of every month at 11 o'clock a. m. or, if that day be a holiday, on the first succeeding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least five days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to its supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business; an action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by its secretary, and such minutes shall be read to the members of the board of directors at its next succeeding meeting.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To fix the discount rate from time to time with the approval of a majority of the board of directors.

- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and her subordinates and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have the power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws.

The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tempore. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be designated by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall open for business from 10 o'clock o'clock on each day except Sundays, or days or parts of days established as legal days, except that on Saturdays the bank shall close at 12 o'clock noon.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a two-thirds vote of the entire board: *Provided, however,* That a copy of such amendments have been delivered to each member at least 10 days prior to such meeting.

DISTRICT NO. 10—KANSAS CITY.

J. Z. MILLER, JR., Chairman and Federal Reserve Agent.

On telegraphic advice from the Secretary of the Treasury dated October 26, 1914, and under certificate of authority issued by the Comptroller of the Currency dated November 14, 1914, the Federal Reserve Bank of Kansas City opened its doors for business November 16, 1914.

Prior to the formal opening of the bank, the reserve bank organization committee conducted an election by which the member banks selected the following directors in classes A and B:

CLASS A.	CLASS B.
Gordon Jones, Denver, Colo.	Thomas C. Byrne, Omaha, Nebr.
W. J. Bailey, Atchison, Kans.	M. L. McClure, Kansas City, Mo.
C. E. Burnham, Norfolk, Nebr.	L. A. Wilson, El Reno, Okla.

On October 7, 1914, the Federal Reserve Board announced the appointment of the following class C directors:

J. Z. Miller, jr., Kansas City, Mo., Federal Reserve Agent and chairman of the board.

Asa E. Ramsay, Muskogee, Okla., deputy Federal Reserve Agent and vice chairman of the board.

R. H. Malone, Denver, Colo.

ELECTION OF BANK OFFICERS, ADOPTION OF BY-LAWS, ETC.

Prior to the formal opening of the bank two meetings of its board of directors were held; the first on October 16, 1914, and the second on October 31, 1914. At the meeting on October 16, 1914, the salary of the deputy Federal Reserve Agent and vice chairman of the board, Mr. Asa E. Ramsay, was fixed at \$6,000 per annum. Mr. Charles M. Sawyer, then bank commissioner of the State of Kansas, was unanimously chosen governor of the bank, at a salary of \$7,500 per annum. Mr. E. F. Swinney, president of the First National Bank of Kansas City, Mo., was designated a member of the advisory council.

At the meeting held October 31, 1914, Mr. Jerome Thralls, then manager of the Kansas City Clearing House Association, was elected secretary-cashier, at a salary of \$6,000 per annum, and by-laws were adopted—copy attached and marked "Exhibit A."

BANKING QUARTERS.

At the October 31 meeting several propositions for suitable banking quarters were considered. By unanimous decision the board accepted the proposition submitted by the R. A. Long Investment Co., involving the lease of the entire ground floor (8,500 square feet) of the R. A. Long Building, located at the northeast corner of Tenth Street and Grand Avenue, together with optional rights on certain additional space in the same building. The construction of vaults, alteration on the interior,

and equipment of the bank with furniture, fixtures, and office devices represent an expenditure of approximately \$45,000.

The details of this arrangement, accompanied by diagrams, blue prints, terms, etc., have heretofore been furnished the Federal Reserve Board.

INTERNAL ORGANIZATION AND PERSONNEL OF THE BANK.

The operation of the bank has developed two distinct departments—the bank proper and the office of the chairman and Federal Reserve Agent.

The governor receives and presents items for discount, conducts correspondence with member banks relating thereto, and is the joint custodian of the moneys and securities of the bank. The cashier is responsible for the clerical records of the bank and has under his direct supervision the transit, clearing, and collection operations; he is joint custodian of the moneys, securities, and discounts; he is also secretary of the bank, the executive committee, and board of directors.

The Federal Reserve Agent, with a small corps of assistants, receives, issues, and redeems Federal Reserve notes; holds, in chests assigned to him, gold, moneys, and collaterals for Federal Reserve notes outstanding; maintains all records relating thereto, together with adequate credit files; and as chairman keeps in touch with the current commercial operations of the bank by attending meetings of the executive committee and board of directors and by reports of the auditor of the bank.

The employees in the various departments are as follows:

Federal Reserve Agent and credit bureau, 3.

Clerical and transit, 27.

Messengers, watchmen, etc., 7.

The first pay roll of the bank, basis November 30, 1914, reported 26 employees (not including executive officers), with compensations aggregating \$2,221.68 per month. The greatest number of employees on the bank's pay roll at any one time was 39 on January 12, 1915, with compensations aggregating \$3,031.68 per month. At the close of business December 31, 1915, the bank had 37 employees and a pay roll aggregating \$2,884.99 per month.

APPEALS FROM DECISION OF ORGANIZATION COMMITTEE.

Shortly after the opening of the Federal Reserve Bank of Kansas City petition were filed by certain banks in Oklahoma for transfer from district No. 11 (Dallas) to district No. 10; and by certain banks in Nebraska and Wyoming for transfer from district No. 10 to district No. 7 (Chicago).

The briefs and arguments relating to these petitions were apportioned to committees of the Federal Reserve Board, which, in turn, reported their findings and conclusions to the Board itself; and, on May 4, 1915, the Federal Reserve Board passed a resolution granting the petition of the banks in southern Oklahoma and denying the petition of the banks of Wyoming and Nebraska.

The result of this decision was the transfer from district No. 11 (Dallas) to district No. 10 of that portion of the State of Oklahoma originally included in district No. 11 (Dallas) with the exception of the following counties in the southeastern portion of the State: Atoka, Bryan, Choctaw, Coal, Johnston, Marshall, McCurtain, and Pushmataha, and added 121 banks to the membership of the Federal Reserve Bank of Kansas City.

FREQUENCY OF BOARD AND EXECUTIVE MEETINGS.

The by-laws provide that the board of directors shall meet on the second and fourth Thursdays of each month. These meetings have been a heavy expense to the bank, the cost, by way of directors' fees, per diem, and expense of travel and subsistence, being about \$400 for each one-day meeting, or a total from the beginning of \$10,724.98.

Since the formative period of the bank has passed, and in view of the expense incident to board meetings, the chairman has suggested that only one regular meeting of the board be held each month, especially since the law provides that the chairman may call a special meeting at any time on his own motion and is obliged to do so at the request of the governor or any three directors.

With the exception of one or two meetings, all members of the board have been present. At each meeting, in addition to the approval of the action of the executive committee, all discounts, bond purchases, and investments made by the bank since the last meeting are reviewed. A list of member banks rediscounting with the Federal Reserve Bank is presented, showing the total liability of each member to the Federal Reserve Bank, so that the directors, individually and collectively, are at all times fully informed on discount relations with member banks. As the residences of the directors of this bank are widely scattered throughout the district, the board has been able to keep in very close and intimate touch with conditions prevailing in all parts of the district.

The executive committee, consisting of the governor, the chairman of the board, and one other director, meets every day at 11 o'clock to pass upon rediscounts and perform other duties and exercise other powers as set forth in the by-laws.

PARTICULAR CHARACTERISTICS OF THE BANK.

Probably the most striking characteristic of the Federal Reserve Bank of Kansas City is the variety of interests it is called upon to serve. The area of district No. 10 is approximately 470,000 square miles, within which is the geographical center of the continental United States.

When it is considered that practically every cereal, such as corn, wheat, oats, etc.; every staple commodity, such as cotton, tobacco, and sugar; all forage crops, including Kafir corn, hay, and alfalfa; practically every mineral mined in this country, including radium, gold, silver, copper, lead, zinc, iron, coal, salt, asbestos, gypsum, oil, and gas—that all these are produced in immense quantities; that it is the very heart of the live-stock industry; that enormous manufacturing plants, producing a vast variety of finished products, are in operation; that in the Kansas City territory alone over 10,000,000 barrels of cement are produced annually; that Kansas City is the largest winter-wheat market and yellow-pine distributing point in the world, and ranks first of all cities in the country in the distribution of farming implements and second in the assembling and distribution of automobiles; and that the district is traversed by nearly 50 separate and distinct lines of railroad, including 20 trunk lines, the diversified interests this bank is called upon to serve can be partially realized.

There is probably no other territory, equal in size, which compares with district No. 10 in the diversity of agricultural, industrial, and commercial activity.

The bank has a membership of 949, including 3 State institutions, classified on basis of total resources November 10, 1915, as follows:

Number of banks under \$100,000.....	29
\$100,000 to \$200,000.....	223
\$200,000 to \$300,000.....	190
\$300,000 to \$500,000.....	216
\$500,000 to \$2,500,000.....	244
\$2,500,000 to \$20,000,000.....	44
Over \$20,000,000.....	3

Exhibit B attached hereto is a partial abstract of condition of member banks of this district on November 10, 1915.

POLICIES OF THE BANK IN REGARD TO RATES OF DISCOUNT, ETC.

(a) *Rates of discount.*—It has been the policy of the Federal Reserve Bank of Kansas City to promulgate rates of discount which would have a tendency to lower and stabilize rates of interest and prove attractive to member banks. While the bank has become a competitor of banks in reserve cities, at the same time it was felt that the Federal Reserve Bank should be self-sustaining during normal as well as abnormal times. It has been necessary, therefore, that rates of discount be made attractive to give employment to at least a portion of its funds.

At the beginning the rate of discount proposed by the board of directors was 7 per cent on all maturities, but, on November 14, 1914, the Federal Reserve Board approved a rate of 6 per cent on all maturities. This rate gradually declined until August, 1915, since when a 4 per cent rate on maturities of 90 days or less and a 5 per cent rate on maturities over 90 days and under 6 months have prevailed. Recently the Federal Reserve Board has approved rates of $3\frac{1}{2}$ per cent for paper maturing within 10 days, $3\frac{1}{2}$ per cent on trade acceptances, and 3 per cent on commodity paper.

(b) *Rediscounting.*—The executive committee has adhered to the definition of eligible paper laid down by the Federal Reserve Board. In a few instances it has been necessary to return offerings for the reason that they were improperly indorsed, wholly ineligible. But from the outset, even up to this time, the executive committee has encouraged member banks to familiarize themselves with rediscount transactions with the Federal Reserve Bank and has overlooked trifling particulars and important shortcomings in the preparation and presentation of paper.

Attached hereto is Exhibit C, showing the discount operations for the calendar year 1915 as well as for the entire period from November, 1914.

(c) *Issue of Federal Reserve notes.*—To meet the commercial and industrial demand and to facilitate the movement of crops, it is the policy of this bank to supply members with Federal Reserve notes as counter currency. This bank has issued and now has outstanding, nearly \$10,000,000 of such notes, about \$2,000,000 of which is secured by commercial paper and \$8,000,000 by gold deposits with the Federal Reserve Agent.

(d) *Open-market operations.*—The open-market transactions of the Federal Reserve Bank of Kansas City have been confined to warrants and acceptances purchased through other Federal Reserve Banks, there being little opportunity in the district for transactions of this nature.

(e) *Clearing system.*—December 1, 1914, this bank began a system of clearings based on the immediate credit and debit of all checks and drafts received from member banks, drawn on member banks in the district and on other Federal Reserve Banks. Later, this was extended to include checks and drafts on clearing-house banks in certain Federal Reserve Bank cities.

Attached hereto is Exhibit D, a statement of the transactions under this system showing 2,059,619 items handled, aggregating \$748,833,696.29.

In handling this volume of clearings with the small proportion of reserves paid in, quite naturally during the first few months an occasional debit balance or overdraft against member banks appeared. Our method of clearing was an innovation, and a few members questioned the legal warrant of this bank to make an immediate debit to their accounts for items sent them, although, at the same time, most of these members were sending to this bank for immediate credit, items drawn on points throughout the district—generally such items as would otherwise have cost them exchange to collect. At one time these overdrafts assumed rather large proportions and became a vexatious question. Finally, all member banks were notified that only such checks as could be charged to their account without creating an overdraft would be handled; all checks in excess of their balances to be returned to the sending bank. This has

even a satisfactory solution of the problem and has not appreciably diminished the volume of clearings.

The clearing-house function contemplated by the Federal Reserve Act is a service second in importance only to providing an elastic currency and facilities for redemitting commercial paper. The Federal Reserve Bank of Kansas City is handling the clearings in a practical and economical manner.

The full reserves to be deposited with this bank will aggregate about \$27,000,000; the capital now paid in is about \$3,000,000, making a total of \$30,000,000. Setting aside \$9,500,000 for reserves on deposits, and assuming that this bank absorbed the entire "float" of the district—say, \$6,500,000—it would still have a note-issuing power of \$35,000,000, which is probably three times as much as all the banks of this district have ever received from their correspondents in times of distress. Government deposits, if any, would increase the note-issuing power proportionately.

Until the Federal Reserve Board has prescribed a system of clearings which will apply with equal force and uniformity to all districts, this important function of the Federal Reserve Act can not reach the full measure of its usefulness. If the uniform system finally adopted by the Board goes further and brings about an arrangement whereby Federal Reserve Banks may clear checks drawn on nonmember banks, it will greatly enlarge the benefits to be derived from this provision of the law by the commercial and industrial interests of the country, and, incidentally, would relieve the large city banks of the elaborate "transit" departments with which they are now burdened.

DIVISION OF WORK BETWEEN GOVERNOR AND CHAIRMAN.

Governor.—The duties of governor are enumerated and defined in the by-laws of the bank. He presides at meetings of the executive committee and controls the internal operation of the bank. Junior officers in charge of the respective departments receive their authority and instructions from the governor.

Chairman and Federal Reserve Agent.—The chairman presides at directors' meetings, serves as a member of the executive committee, and is always available in an advisory capacity.

As agent he issues and redeems Federal Reserve notes; keeps the Federal Reserve Board advised on the affairs and condition of the bank; prepares and transmits the daily, weekly, monthly, and annual reports; and transmits to the governor of the bank memoranda of communications from the Federal Reserve Board, taking receipted copies thereof, which serves to keep necessary records and charges each official with the responsibilities resting upon him.

DISCUSSION OF OFFICE AND DUTIES OF DEPUTY FEDERAL RESERVE AGENT.

At the first meeting of the board of directors the salary of the Deputy Federal Reserve Agent and vice chairman of the board was fixed at \$6,000 per annum. Other than from the text of the law and the qualifications enumerated at that time the board had no definite conception of what duties the Act contemplated that official to perform. It was assumed that the full time and activity of a man of tested banking experience was required.

It has been demonstrated, however, that the full time of this official, unless the activities of the bank are greatly enlarged, is not required. Without doubt at some time in the future when the scope of the activities of the Federal Reserve Bank has been made to include functions which are not now exercised the full time of such official will be almost indispensable. It is contemplated that in the course of time the credit files of the Federal Reserve Bank will not be confined merely to financial statements of member banks. ~~is presented by member~~

banks for discount, but will include general credit and financial information of the entire district, which will be available for the use of the public as well as member banks. In this event the position of Deputy Federal Reserve Agent in charge of the credit bureau and as active assistant to the chairman would be necessary and should be filled by a thoroughly competent individual.

The Deputy Federal Reserve Agent and vice chairman of the board of this bank resigned his office, effective October 1, 1915, to accept an executive position with one of the large financial institutions of Kansas City.

ATTITUDE OF FEDERAL RESERVE BANK TOWARD MEMBER AND OTHER BANKS IN DISTRICT.

One of the specific purposes of the Federal Reserve Act, as enumerated in the title thereof, is to improve banking conditions in the United States, and the Federal Reserve Bank of Kansas City has made an earnest effort to carry out this specific purpose of the Act.

Members have been advised, voluntarily and by request, of what were considered subjects of both praise and criticism; have been solicited to visit the bank when in the city and correspond upon any points upon which they desired information; have been advised, when occasion required, upon the internal affairs of their banks; and their attention has been directed to the elimination of undesirable features; in fact a genuine and impartial interest has been taken in the affairs of each member.

In addition to this, the officers and directors of the bank have taken every proper occasion to go out into the district and discuss at group meetings and with individual bankers the operation of the Federal Reserve Bank, and there is hardly a city of any importance in the district which has not been visited.

ATTITUDE OF MEMBER BANKS TOWARD FEDERAL RESERVE BANK.

(a) *Country members.*—With few exceptions, the Federal Reserve Bank of Kansas City has been accorded the most hearty cooperation on the part of these members. On account of the Federal Reserve Act bringing about innovations in former methods and practices of member banks, there has been some criticism and, in a few instances, the bank has met with what seemed to be a determined opposition; but, as time has proven the efficacy of the system and has demonstrated the benefits to be derived therefrom, this criticism has practically ceased, and most, if not all, opposition has disappeared.

(b) *Reserve city members.*—Cooperation from these has not been quite so cordial. While a large majority of the officers of the reserve city banks expressed their approval of the Act, and its administration by the Federal Reserve Board, as well as the operation of the Kansas City bank, some are indifferent and a few are hostile, and their views are to some extent adopted by the country bankers, thereby in a measure hindering cooperation on their part. Most of the opponents adhere to the central-bank idea, and some point out their anxiety that the administration of the Act may become partisan and political.

It will be recalled that during the discussion of the bill in Congress, bankers, mostly from the reserve and central reserve cities, crossed the continent to urge that the Act provide for a dividend rate of 6 per cent on the capital paid in. At the beginning many of the reserve city bankers expressed the fear that the Federal Reserve Banks would not earn the dividend. Later on most of these same bankers became alarmed for fear the banks would earn the dividend and in doing so would become competitors of the commercial banks, especially those in reserve cities.

Experience has demonstrated that to earn current expenses and dividends this bank would require a continuous investment of \$7,500,000 at 4 per cent.

ATTITUDE OF STATE BANKS TOWARD FEDERAL RESERVE BANK.

It seems that the State banks and trust companies have not been sufficiently impressed with the benefits of membership in the Federal reserve system to make any concerted move toward joining, and it is doubtful if they will do so until circumstances bring forcibly to their notice the decided advantages membership conveys, specially in times of financial uncertainty or distress.

The Federal Reserve Bank of Kansas City has not actually solicited membership of State banks and trust companies, believing that the interests of the system would be best served by permitting it to thoroughly prove to such institutions that they were receiving only themselves by refraining from filing their applications. When it is realized that concessions have been made by the Federal Reserve Board to State banks and trust companies, which, in some respects, have given them a decided advantage over national bank members, it is believed that sooner or later a majority of the better State institutions will seek membership.

One of the largest trust companies in the district, as well as one State bank in Kansas and one in Nebraska, have joined the system.

ASSISTANCE FEDERAL RESERVE BANK HAS BEEN TO THE BANKING AND BUSINESS INTERESTS OF THE DISTRICT.

Under the old national-bank act, when money has been in great demand or there has been financial disturbance, the greatest anxiety of bankers has been where and how they might secure funds not only to meet the demands of anxious depositors, but supply the legitimate requirements of their customers. There was always an uneasiness, and even a fear, that their correspondents, being called upon by great numbers of bankers, might not be able to meet all demands; and this anxiety quite naturally communicated itself to the commercial and industrial interests of the country.

A feeling of confidence has permeated not only the financial interests of the district but the business and industrial interests as well. This feeling of confidence has extended itself to State banks and trust companies, even though not members of the Federal reserve system.

The abnormally high prices received for the abundant crops of this section created unusually large bank deposits, and the reserves thereon released by the Federal Reserve Act have made money more plentiful throughout the district.

In addition to this, the establishment of the Federal Reserve Bank, and its operation during the past year, has proven a stabilizer of business and a leveler and equalizer of interest rates. When this bank opened November 16, 1914, the prevailing rates of interest ranged from 7 per cent to 8 per cent in Missouri, 8 per cent to 10 per cent in Kansas and Nebraska, 8 per cent to 12 per cent in Colorado, and 10 per cent to 20 per cent in Oklahoma, New Mexico, and Wyoming. The first rate approved by the Federal Reserve Board for this bank was 6 per cent for all maturities. When this rate was promulgated the uneasiness which had prevailed following the outbreak of the European War gradually diminished, and a more comfortable feeling was experienced by practically all member banks and by the public generally. As a result, interest rates gradually declined, and have continued to do so until at this time they are at the lowest point in the history of banking in this district.

BUSINESS AND AGRICULTURAL CONDITIONS DURING THE YEAR; ALSO SHOWING PRESENT TREND.

It is probably safe to say that general business and agricultural conditions during the year 1915 have rarely, if ever, been more favorable in the territory comprising the tenth

Although the quality of the yield of wheat in some portions of the district was somewhat disappointing, yet the yield was so abundant that, with the prevailing prices, the net returns were above normal.

The late rains and mild weather kept the pastures and ranges in condition for grazing until very late in the season, with the result that stockmen were relieved of the feeding of stock to a very great extent, and much live stock was marketed in fat condition direct from the range. The splendid condition of the ranges was exceptionally beneficial to the sheep industry of Wyoming and Colorado, and both wool and lambs commanded unprecedented prices, and the season closed with the flocks in superb condition.

The prices of oil in the Oklahoma and Kansas fields, although quite low during the first half of the year, have rallied to such extent that the industry is enjoying exceptional prosperity. The high prices prevailing for lead and zinc has caused the greatest activity in the history of those mines.

The horse and mule industry has been phenomenally active, and probably more of those animals have been sold at high prices during the past few months than during any previous similar period.

The sale and distribution of automobiles and farming implements throughout the district has been remarkable; and Kansas City now ranks second in the distribution of the former, and still maintains her first rank in the distribution of the latter.

Milling and manufacturing plants throughout the district are running full time, and have been doing so practically throughout the entire year. Manufacturers report increase in output and sales ranging from 6 per cent to as high as 70 per cent over the year 1914, while both manufacturers and jobbers report splendid collections.

Many manufacturers report that practically their entire output for 1916 is sold, and most of them advise that their products are sold far ahead. A spirit of optimism pervades the entire district and is not limited to any particular industry. The year has been free of serious labor disturbances, and labor, both common and skilled, has been very generally employed.

CREDIT NEEDS OF THE DISTRICT.

On account of the diversity of its agricultural, industrial, and commercial interests, the credit needs of district No. 10 are almost continuous and do not materially fluctuate. While it is true that during the fall of the year there is the largest movement of crops, yet it is equally true that the commercial necessities at other seasons of the year require practically an equal amount of loanable funds. Loans and discounts in this district are probably as uniform in volume as in any other district.

EXCHANGE AND COLLECTION CHARGES ON CHECKS.

Before the establishment of the Federal Reserve Bank the prevailing rates of exchange throughout this district ranged from 5 cents per letter to 30 cents per \$100. These rates of exchange had maintained for many years with only slight fluctuations. Since the Federal Reserve Bank has been in operation, there has been a material reduction in the exchange and collection charges. Many banks which formerly charged 10 cents per \$100 are now remitting at par, and few, if any, of the old-time charges are being made.

DIFFICULTIES ENCOUNTERED IN THE ADMINISTRATION OF THE FEDERAL RESERVE ACT AND THE REGULATIONS OF THE BOARD.

The principal difficulty encountered in the administration of the Act and the regulations of the Board has been the apparent unfamiliarity of member banks therewith. This is evidenced by the fact that every day inquiries are received regarding salient features of the Act, which have been answered in circular after circular issued by both the Board and this bank. It is not uncommon, even at this late date, to

receive from important member banks offerings of paper secured by certificates of stock representing the capitalization of corporations or loans secured by real estate.

At a recent meeting of the national-bank examiners of this district, called by the chief national-bank examiner, acting under instructions of the Comptroller of the Currency, the examiners were earnestly urged to assist in enlightening and educating member banks on this subject of eligible paper.

EARNINGS AND EXPENSES.

The earnings of this bank have not been quite sufficient to pay current expenses, although if the total amount charged to current expenses were credited with the value of the unused stationery on hand and the profits accruing from investments in United States bonds the deficit would be covered, or nearly so. There is attached hereto marked "Exhibit E," a statement showing earnings and expenses in detail from November 16, 1914, to the close of the calendar year 1915.

On account of the season of the year when the bank started the member banks of this district had arranged with their correspondents for accommodations incident to the movement of crops in the fall of 1914, and hence had no occasion to make offerings of paper for discount with this bank. The spring of 1915 found the district with an excess of loanable funds in the vaults of member banks, and, except in nominal amounts, not until the summer and fall of 1915 was the bank called upon to discount paper.

As stated in another portion of this report, the construction of vaults, alteration of interior of banking quarters, equipment of bank with furniture, fixtures, and office devices entailed an expenditure at the outset of about \$45,000. This item is subject to a reduction of \$15,000 under the terms of the lease of banking quarters; that is, during the fourth and fifth years there is to be refunded to the bank by the lessor the sum of \$7,500 per annum to reimburse the bank for vault construction.

EXHIBIT A.

BY-LAWS OF THE FEDERAL RESERVE BANK OF KANSAS CITY.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every second and fourth Thursday of each month, at 10 o'clock a. m., or if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or telegraph. If given by mail, such notice shall be mailed at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may make such regulations as to order of business as may seem to it.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank subject to the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the Deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors, or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time

required. The board of directors may, in the absence or disability of the secretary, upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and other securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or by the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor and the secretary or cashier, or each other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall open for business from 10 o'clock to 3 o'clock on each day except Saturdays, Sundays, and days or parts of days established as legal holidays. On Saturdays the bank shall open for business from 10 o'clock to 2 o'clock m.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least five days prior to such meeting.

On January 4, 1915, by-laws were amended as follows:

Section 2, of article 2, subdivision (c):

"(c) To fix from time to time changes in the discount rate and to put same into operation on receipt of approval of the Federal Reserve Board."

On August 14, 1915, section 1, of article 2, was amended so as to read:

"*How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one director, appointed by the board. In the absence of the Federal Reserve Agent, the Deputy Federal Reserve Agent shall act in his place. In the absence of the governor, the cashier shall act in his place. At no meeting of the executive committee shall the Federal Reserve Agent and his deputy act at the same time; and at no meeting shall the governor and cashier act at the same time. The member of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it, and each director shall have the opportunity to serve his pro rata of the time. A majority of the executive committee shall constitute a quorum for the transaction of the business, and action by the committee shall be upon the vote of the majority. The committee shall have power to fix the time and place of the holding of regular and special meetings and the method of giving notice thereof. Minutes of all the meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its succeeding meeting; such minutes shall be read to the meeting if requested by any member of the board."

EXHIBIT B.

Partial abstract of condition of member banks.

Capital.....	\$68,829,800
Surplus.....	32,698,800
Undivided profits.....	17,311,400
Total.....	118,839,000
Demand deposits.....	519,643,300
Time deposits.....	91,897,900
Total.....	611,541,200
Loans and discounts.....	449,538,900
Bonds, securities, etc.....	20,470,000
Eligible paper, approximate.....	154,708,100
Money borrowed.....	10,078,100

Liability of directors:		
Direct.....		\$11,559,700
Indirect.....		7,628,989
Three years' earnings (complete):		
1912.....		10,931,009
1913.....		10,652,506
1914.....		10,774,606
Three years' dividends:		
1912.....		7,865,589
1913.....		7,847,289
1914.....		8,387,100
Three years' losses:		
1912.....		2,286,400
1913.....		2,758,300
1914.....		2,198,600

EXHIBIT C.

Rediscounts for member banks, to Dec. 31, 1915.

	November and December, 1914	1915	Total.	Number of banks
Colorado.....		\$522,400	\$522,400	19
Kansas.....	\$11,400	3,413,600	3,425,000	56
Missouri.....	391,300	2,544,400	2,935,700	23
Nebraska.....	102,700	1,771,900	1,874,600	71
New Mexico.....		19,300	19,300	1
Oklahoma.....	4,400	2,871,500	2,575,900	121
Wyoming.....		32,400	32,400	5
Total.....	509,800	10,875,500	11,385,300	274

In November and December, 1914, 89 notes were rediscounted, and in 1915, 6,946 notes were rediscounted to Dec. 31, a total of 7,035 notes, average amount of each note \$1,600.

Open market transactions from Nov. 16, 1914, to Dec. 31, 1915 (none in 1914).

TRANSACTIONS IN 1915.

155 bankers' acceptances were purchased, aggregating..... \$1,787,960.94
Purchases of warrants (municipal, State, and county), aggregated..... 1,250,167.88

UNITED STATES BONDS PURCHASED.

	Cost.	Par.
2 per cents of 1930.....	\$2,118,921.95	\$2,151,350.00
3 per cents of 1918.....	300.00	300.00
Total.....	2,119,221.95	2,151,650.00

EXHIBIT D.

City and country clearings, Dec. 1, 1914, to Dec. 31, 1915.

Month.	Year.	Kansas City.	On country.	Total.
December.....	1914	\$17,559,936.75	\$21,082,772.04	\$38,642,708.79
January.....	1915	24,549,496.46	33,229,513.75	57,779,010.21
February.....	1915	20,315,985.91	30,367,248.63	50,683,234.54
March.....	1915	24,758,835.86	34,579,054.98	59,337,890.84
April.....	1915	22,991,717.41	32,914,047.97	55,905,765.38
May.....	1915	24,029,095.24	34,051,068.50	58,080,163.74
June.....	1915	25,015,256.90	34,552,541.30	59,567,798.20
July.....	1915	17,810,591.68	26,101,975.98	43,912,567.66
August.....	1915	18,423,595.54	31,025,118.86	49,448,714.40
September.....	1915	25,258,294.00	36,864,334.00	62,122,628.00
October.....	1915	30,628,488.74	45,679,585.17	76,308,073.91
November.....	1915	39,937,455.80	42,775,307.45	82,712,763.25
December.....	1915	23,465,161.44	30,867,215.93	54,332,377.37
Total.....		314,743,911.73	434,069,784.56	748,813,696.29

City and country clearings, Dec. 1, 1914, to Dec. 31, 1915—Continued.

NUMBER OF ITEMS.

Month.	Year.	Kansas City.	On country.	Total.
December.....	1914	5,860	69,773	75,633
January.....	1915	10,524	133,512	144,036
February.....	1915	10,649	117,476	128,125
March.....	1915	10,642	140,795	151,437
April.....	1915	11,626	151,741	163,367
May.....	1915	11,405	149,806	161,211
June.....	1915	12,523	160,053	172,576
July.....	1915	10,537	140,277	150,814
August.....	1915	10,625	160,453	171,078
September.....	1915	11,640	173,887	185,527
October.....	1915	12,349	194,930	207,279
November.....	1915	12,184	165,994	181,178
December.....	1915	9,215	157,813	167,028
Total.....		140,079	1,919,540	2,059,619

Daily average clearings Dec. 1, 1914, to Dec. 31, 1915.

Month.	Year.	Kansas City.	On country.	Total.
December.....	1914	\$675,380.00	\$810,877.00	\$1,486,257.00
January.....	1915	981,979.00	1,329,181.00	2,311,160.00
February.....	1915	863,300.00	1,320,315.00	2,183,615.00
March.....	1915	916,993.00	1,280,705.00	2,197,698.00
April.....	1915	894,297.00	1,265,925.00	2,150,222.00
May.....	1915	961,163.00	1,362,043.00	2,323,206.00
June.....	1915	962,125.00	1,328,944.00	2,291,069.00
July.....	1915	685,023.00	1,003,922.00	1,688,945.00
August.....	1915	706,599.00	1,193,273.00	1,901,872.00
September.....	1915	1,010,332.00	1,464,573.00	2,474,905.00
October.....	1915	1,175,018.00	1,756,907.00	2,934,925.00
November.....	1915	1,597,498.00	1,751,012.00	3,348,510.00
December.....	1915	902,506.00	1,187,200.00	2,089,706.00
General average.....		948,247.00	1,311,913.00	2,260,160.00

DAILY AVERAGE ITEMS.

December.....	1914	225	2,682	2,907
January.....	1915	433	5,340	5,773
February.....	1915	463	5,107	5,570
March.....	1915	394	5,214	5,608
April.....	1915	447	5,836	6,283
May.....	1915	556	5,992	6,548
June.....	1915	482	6,157	6,639
July.....	1915	405	5,895	6,300
August.....	1915	406	6,171	6,579
September.....	1915	465	6,995	7,460
October.....	1915	475	7,487	7,972
November.....	1915	487	6,760	7,247
December.....	1915	355	6,069	6,424
General average.....		430	5,796	6,216

EXHIBIT E.

Expenditures of the Federal Reserve Bank of Kansas City since organization.

	Total Nov. 15, 1915
I. CURRENT EXPENSES.	
Assessment, general expenses, Federal Reserve Board (monthly proportion).....	\$3.00
Federal advisory council (fees).....	1.00
Directors' fees.....	3.00
Legal fees.....	1.00
Salaries:	
Bank officers.....	25.00
Clerical staff.....	34.00
Special officers and watchmen.....	1.00
Traveling expenses:	
Directors.....	4.00
Officers and clerks.....	1.00
Per diem allowance of directors.....	4.00
Telephone.....	1.00
Telegraph.....	1.00
Postage.....	10.00
Expressage.....	1.00
Rent.....	1.00
Insurance and premiums on fidelity bonds.....	1.00
Light, heat, and power.....	1.00
Printing and stationery.....	1.00
Repairs and alterations.....	1.00
All other expenses not elsewhere specified.....	1.00
Total current expenses.....	125.00
Commissions on investments.....	1.00
II. ORGANIZATION EXPENSES.	
Carried from current expenses (account expense prior to Nov. 16, 1914).....	15.00
Assessment for general expenses of Federal Reserve Board (prior to June 30, 1915).....	9.00
Total.....	25.00
III. COST OF FEDERAL RESERVE NOTES.	
Cost of Federal Reserve notes, including expressage, insurance, etc.....	25.00
IV. EQUIPMENT.	
Furniture and fixtures.....	15.00
Vaults.....	15.00
Machines.....	1.00
Other.....	14.00
Total equipment.....	45.00
Total expenditures.....	225.00

Earnings of the Federal Reserve Bank of Kansas City since organization.

	Total Nov. 15, 1915
Earnings from—	
Bills discounted member banks.....	\$64.00
Bills purchased (acceptances).....	7.00
Investments:	
United States bonds.....	20.00
Warrants.....	9.00
Sundry profits.....	6.00
Total earnings.....	106.00

EXHIBIT F.

Operations of the clearing departments of the Federal Reserve Bank of Kansas City, Dec. 1, 1914, to Dec. 31, 1915.

Cost of operation of country department.....	\$27,066.00
Cost of operation of city department.....	1,460.29
Total cost of operation.....	28,526.29
Amount of items handled through the country clearing department.....	434,069,784.56
Amount of items handled through the city clearing department.....	314,743,911.73
Total amount of items cleared.....	748,833,696.29
Number of items handled through the country department.....	1,919,540.00
Number of items handled through the city department.....	140,079.00
Total number of items cleared.....	2,059,619.00
	<i>Cents.</i>
Cost of clearing per thousand dollars.....	3.81
Cost of clearing per item.....	1.88

Monthly expense of operating the country clearing department of the Federal Reserve Bank of Kansas City.

Administration (one-half chief clerk's salary, \$2,000 per annum, to cover time of officers consumed in handling the affairs of the department).....	\$250.00
Remuneration on surety bonds of employees.....	5.00
Depreciation on equipment.....	98.00
Accidentals.....	40.00
Light.....	35.00
Rent.....	100.00
Salaries of 15 clerks.....	325.00
Stationery.....	110.00
Stamps.....	624.00
Average cost per month.....	2,082.00
Total cost of operation, Dec. 1, 1914, to Dec. 31, 1915, 13 months.....	27,066.00
Number of items handled through this department Dec. 1, 1914, to Dec. 31, 1915.....	1,919,540.00
Aggregating.....	\$434,069,784.56
	<i>Cents.</i>
Cost of handling per thousand dollars.....	6.23
Cost of handling per item.....	1.41

Monthly expense of operating city clearing department of the Federal Reserve Bank of Kansas City.

Administration.....	\$10.00
Depreciation on equipment.....	5.00
Light.....	1.00
Rent.....	5.00
Salaries:	
Holmes West.....	\$70.00
Messenger, Gamble (one-third).....	16.33
	86.33
	5.00
Total.....	112.33
Cost of operation Dec. 1, 1914, to Dec. 31, 1915, 13 months.....	1,460.29
Number of items handled through this department Dec. 1, 1914, to Dec. 31, 1915.....	140,079
Aggregating.....	\$314,743,911.73
	<i>Cents.</i>
Cost of handling per thousand dollars.....	11
Cost of handling per item.....	11

HISTORY OF OPERATIONS OF COUNTRY CLEARING DEPARTMENT, UNDER OVERDRAFT ELIMINATION PLAN, NOVEMBER 10, 1915, TO DECEMBER 31, 1915.

On December 1, 1914, the Federal Reserve Bank of Kansas City began a system of clearing based on the immediate credit and debit of all checks and drafts received from member banks drawn on member banks in the district, and on other Federal Reserve Banks. Later, this was extended to include checks and drafts drawn on clearing-house banks in certain Federal Reserve Bank cities.

In handling the volume of clearings which [redacted] bank, and on account of the small proportion of reserves paid in [redacted] months of operation an occasional overdraft was created, and [redacted] such large

proportions as to become a serious and vexatious matter. Several tentative plans looking to the elimination of these overdrafts were suggested and discussed, and finally, during the early days of November, 1915, all member banks were advised that only such checks as could be charged to their account without creating an overdraft would be handled, and that all checks in excess of their respective balances would be returned to the sending bank, or turned over for their account to such correspondent as they might designate.

The success of the operation of this plan is reflected by the figures making the following comparative compilation.

Date.	Items received.		Items returned to sending bank.		Items turned to correspondent.	
	Number.	Amount.	Number.	Amount.	Number.	Amount.
1915.						
Nov. 10.....	6,455	\$1,681,864.52	22	\$114,493.00		
Dec. 1.....	5,840	1,296,888.31	199	22,702.95	10	1,000.00
Dec. 10.....	6,027	1,213,829.61	353	83,670.22	14	1,400.00
Dec. 17.....	5,542	1,001,371.85	207	104,882.44	5	500.00
Dec. 24.....	5,243	838,439.98	59	50,769.16	8	800.00
Dec. 31.....	6,094	1,465,701.65	127	92,850.47	26	2,600.00

Under the plan above outlined the overdrafts of this bank, which on November 1, 1915, aggregated \$1,794,902.14, have diminished until they equal only a small amount at this time, as is evidenced by the following summary:

	Number.	Total amount.
Overdrafts:		
Nov. 10, 1915.....	110	\$1,794,902.14
Dec. 1, 1915.....	27	22,702.95
Dec. 10, 1915.....	18	1,400.00
Dec. 17, 1915.....	9	500.00
Dec. 24, 1915.....	6	800.00
Dec. 31, 1915.....	12	2,600.00

Overdrafts.

Date.	Number of accounts over-drawn.	Amounts.	Date.	Number of accounts over-drawn.	Amounts.
1915.					
Daily average to Feb. 9, 1915.....	54	\$559,121.00	Dec. 9.....	17	\$1,000.00
Month of—			Dec. 10.....	18	2,000.00
March.....	55	540,340.00	Dec. 11.....	15	1,000.00
April.....	60	565,353.00	Dec. 13.....	11	1,000.00
May.....	60	639,846.00	Dec. 14.....	10	1,000.00
June.....	57	583,511.00	Dec. 15.....	10	1,000.00
July.....	53	302,860.00	Dec. 16.....	10	1,000.00
August.....	74	521,439.00	Dec. 17.....	9	1,000.00
September.....	100	843,319.00	Dec. 18.....	14	1,000.00
October.....	131	1,165,005.00	Dec. 20.....	3	1,000.00
November.....	67	441,243.00	Dec. 21.....	5	1,000.00
December.....	13	12,693.00	Dec. 22.....	5	1,000.00
1915.					
Dec. 1.....	27	32,326.48	Dec. 23.....	7	1,000.00
Dec. 2.....	25	24,713.16	Dec. 24.....	5	1,000.00
Dec. 3.....	20	19,770.87	Dec. 27.....	7	1,000.00
Dec. 4.....	21	25,189.50	Dec. 28.....	9	1,000.00
Dec. 5.....	16	7,208.96	Dec. 29.....	20	1,000.00
Dec. 6.....	17	13,925.57	Dec. 30.....	20	1,000.00
Dec. 7.....	18	8,582.08	Dec. 31.....	12	1,000.00
Dec. 8.....			Daily average.....	13	12,000.00

DISTRICT NO. 11—DALLAS.

E. O. TENISON, Chairman and Federal Reserve Agent.

On May 18, 1914, pursuant to the summons of the reserve bank organization committee, authorized representatives of the First National Bank of El Paso, Tex., Durant National Bank of Durant, Okla., First National Bank of Shreveport, La., Frost National Bank of San Antonio, Tex., and Union National Bank of Houston, Tex., met in Dallas and executed the organization certificate which, in accordance with the provisions of the Federal Reserve Act, brought the Federal Reserve Bank of Dallas into corporate existence.

Following this, class A and B directors having been elected by the member banks, according to the Act, and class C directors having been officially appointed and announced by the Federal Reserve Board, a meeting of the entire directorate was held at Dallas on October 16 and devoted to general discussions of the organization of the bank. At this meeting the terms of office of directors of the different classes were established, and the election of Mr. Oscar Wells as governor took place, along with the selection of Mr. J. Howard Ardrey, of Dallas, as member of the advisory council. Immediately after this preliminary meeting a conference of directors of the several reserve banks was held in Washington, at which a majority of the directors of the Dallas bank were in attendance.

The second meeting of the board, held on October 29 at Dallas resulted in the election of Mr. R. L. Van Zandt as vice governor and Mr. J. W. Hoopes as cashier, after suitable by-laws had been adopted, and arrangements were made to perfect a clerical staff preparatory to the opening of the bank, soon to follow. At this meeting C. C. Huff was retained as counsel. The complete organization consisted of active officers, as follows: E. O. Tenison, Federal Reserve Agent; W. F. McCaleb, Deputy Federal Reserve Agent; Oscar Wells, governor; R. L. Van Zandt, vice governor; J. W. Hoopes, cashier; with a staff which included Sam R. Lawder, auditor; Charles C. Hall, secretary to the Federal Reserve Agent; Fred Harris, manager discount department; W. J. Donald, general bookkeeper; R. R. Gilbert, C. B. Cooper, C. J. Kinsolving, jr., A. P. Wooldridge, jr., and W. O. Ford, tellers; together with 11 other employees. Through the courtesy of those banks, the services of J. C. Tenison, of the City National Bank, and John Crosthwaite, of the Security National Bank, both experienced and capable tellers, were secured temporarily, and were of material assistance to the permanent staff.

PAYMENT OF CAPITAL.

The initial capital installments having been called for November 2, the work of receiving these payments and issuing temporary certificates therefor was accomplished prior to the actual opening of the bank on November 16, which was the date set by Secretary of the Treasury McAdoo. The bank commenced business in temporary quarters, which had previously been used as a banking room, and the first reserve deposits were received according to the statutory requirements without undue confusion. The transfer of approximately six and one-half millions of dollars in gold and lawful money was accomplished within a few

At the time of the opening of the bank at [redacted] this district were tremendously depressed on account of the [redacted] the market

for cotton. Every factor in our economic life was in great distress by reason of the fact that our principal product had fallen to a price below the cost of production. The psychological effect of the war in Europe had created an incipient panic among our productive interests and heavy losses in the aggregate had been borne before the remedial forces of our new legislation could be gathered. Immediately following the opening of the Federal Reserve Banks, however, a change was discernible, and within a short period of time a more normal condition was produced and was later followed by appreciable advance in the price of agricultural products.

Discount operations gradually gained strength until the time when, by the terms of the Aldrich-Vreeland Act, it became necessary to retire the emergency currency issued under that act. Member banks, having become more thoroughly familiar with the operations of the bank and the rediscounting privileges afforded, practically the entire amount of outstanding currency was retired through the aid of this bank. This was one of the first evidences to the banking public of the real service that could be expected of the reserve banks, and the easy manner of accomplishment of this materially furthered the popularity of the bank with its members and brought home to them the great potentialities of the system, thus causing a steady continuance of our discount operations during the summer months, until the high figure of \$7,729,000 was reached on September 30. Since that date the fall movement of commodities has resulted in substantial liquidation, until at this time (December 31) our bills discounted aggregate \$4,870,000.

During the early operations of the bank the clearing functions were limited to items drawn by member banks on member banks in the several reserve cities of the district, with the additional facility extended to members for transferring funds between this and other districts by the use of their drafts on us, and on May 27 the establishment of the gold settlement fund in Washington for the clearing of balances between the several Federal Reserve Banks made necessary the deposit of three and one-half millions of dollars in gold to settle the adverse trade balances accumulated against this district. The reversal of trade conditions since that time, due to the seasonal movement of our products, has more than recouped this loss of gold, and our balance in the gold settlement fund at this time is \$8,341,000.

On February 24 Oscar Wells, governor of the bank, having accepted the presidency of the First National Bank of Birmingham, Ala., tendered his resignation, and on April 6 Vice Governor R. L. Van Zandt was elected as his successor; J. W. Hoopes acceding to the vice governorship, and Lynn P. Talley, at that time cashier of the Lumbermans National Bank of Houston, Tex., was elected to the position of cashier.

The departure of Mr. Wells from the district necessitated the election of a class A director in his stead, and on February 15 the chairman forwarded to member banks, in conformity with the provisions of law governing, the necessary certificates and ballots, and called the election, with the result that Mr. John T. Scott, president of the First National Bank of Houston, Tex., was elected as Mr. Wells's successor.

CLEARANCE SYSTEM.

Simultaneously with similar action on the part of various other reserve banks, on June 1 an intradistrict collection system was inaugurated for the benefit of member banks desiring to use this facility. Membership therein was optional, and contemplated the reciprocal clearing of checks at par through us. At the outset 74 banks joined the plan, and since that date 36 additional banks have become members, while 35 have withdrawn. The amounts of checks cleared under this plan have averaged \$605,764 per day, and an average of 898 items have been cleared on country banks, in addition to an average of 304 items on members of the local clearing house.

The rates of exchange charged for collecting and remitting checks which are received by banks in this district, principally from their city correspondents, are higher than

charges made by banks in older sections of the country. These charges run from a minimum of one-tenth of 1 per cent to a maximum of one-quarter of 1 per cent, favoring the latter figure. The rates charged usually are either one-tenth, one-eighth, three-twentieths, or one-quarter of 1 per cent, and the estimated average rate charged (not, however, by any means on the average volume of business), three-twentieths of 1 per cent, or \$1.50 per \$1,000. Probably the average exchange collected on the average volume of business would be in the neighborhood of one-fifth of 1 per cent, or \$2 per \$1,000.

The clearing operations have had no appreciable effect in this district in reducing exchange charges, the volume of business and the number of banks involved in the clearing system being negligible. We believe that the matter of reduction in exchange charges has not been pressed by the city banks since the operation of the Federal Reserve Banks as before. Many accounts are maintained with city banks for the purpose of having checks sent by them to the bank maintaining the account and balance, to produce revenue by way of exchange charges for the drawee bank. Some sentimental influence is therefore present looking toward the maintenance of these accounts by the city banks. We believe, however, that if a system can be devised where checks on member banks in this district, or their equivalent, can meet at a common point and offset each other to a large extent, exchange charges and the sentiment in favor of them will gradually disappear, and that such an arrangement would in the main be gracefully accepted by the member banks. Under such a condition the transportation expense, upon which exchange charges are based, would only have to be considered as relating to the difference in the amount of checks received from and sent to the Federal Reserve Bank.

During the active cotton season in this district it has heretofore been necessary for member banks to ship large amounts of currency and coin from central reserve and subtreasury cities for use in gathering and marketing our products. Against these shipments member banks receive deposits of drafts on eastern and northern points, which cover the proceeds of the sale of the products, and these economic factors affect the market price of eastern and northern exchange materially from time to time. It has been the effort of this bank to serve its members more acceptably by becoming a medium through which the supply of, and demand for, exchange in the different sections of the district might be adjusted, making necessary the transfer of the minimum amount of actual funds into and from the district at various seasons of the year. In this manner we have purchased out-of-district exchange to the amount of \$48,044,240 and sold exchange on other districts in an aggregate of \$23,828,750. No profit has been contemplated in connection with this service, and the supply or demand has governed the rate entirely.

In line with the foregoing it may be of interest to state that we have endeavored to supply our member banks with currency and coin, and have, during the past season, distributed to member banks an aggregate of \$12,163,000 in currency, of \$597,000 in small bills and silver dollars, and \$236,400 in fractional coin, including nickels and cents. The bulk of this distribution will find its way back into the vaults of the bank after it has served its purpose, and the facilities are ample to carry it in storage until needed for a similar purpose during the ensuing year.

The issuance of Federal Reserve notes materially aided in this purpose, and since the opening of the bank these notes have been issued by the agent in the aggregate sum of \$16,180,000 against the deposit of bills receivable to secure. The bank has reduced its liability by the deposit of \$11,440,000 in gold, and has presented its notes for redemption to the agent in the amount of \$1,035,000. Notes aggregating \$61,000 have been forwarded by the agent to the comptroller for cancellation and destruction.

Following the decision of the Federal Reserve Board, on July 1 the transfer of 121 member banks in Oklahoma was effected, leaving 42 members, in 8 counties in Oklahoma. This transfer reduced the capital

of the Dallas bank \$186,500, and was accompanied by a reduction in its reserve deposits of \$397,700, and at the same time rediscounts of member banks to the extent of \$197,600 were transferred to the Federal Reserve Bank of Kansas City.

The issuing power of the bank has never been subjected to a test of efficiency, and the ease of the money market has made it necessary to reduce the regular rate of discount, which were first fixed at 6 per cent for paper maturing within 30 days and $6\frac{1}{2}$ per cent for paper of longer maturities, from time to time, to the present rates of 4 per cent for paper maturing within 90 days and $4\frac{1}{2}$ per cent for paper of longer maturities, $3\frac{1}{2}$ per cent for trade acceptances maturing within 60 days, 4 per cent for trade acceptances maturing after 60 but within 90 days, and 3 per cent for commodity paper.

COTTON MOVEMENT.

On June 7 a circular was issued and distributed among the various member and other banks of the district in which was urged the gradual marketing of the prospective cotton crop, by properly warehousing the staple and disposing of the supply over an extended period, reminding the banks that paper secured by approved warehouse receipts covering readily marketable staples was highly desirable for rediscount with the Federal Reserve Bank. This circular, together with the efforts of the banks and bankers' associations, had a decided effect in the desired direction, with the result that the average price of our principal product has been approximately double that of last year. The deposit of \$5,000,000 by the Secretary of the Treasury on September 4 gave added confidence to our growers and merchants, and the board of the Reserve Bank fixed a rate of 3 per cent for commodity paper having not more than 90 days to run, where such paper was secured by approved warehouse receipts properly insured, and the maker was not being charged more than 6 per cent, either as interest, or commissions, or both. It has not been deemed desirable by member banks to avail themselves of this privilege extensively, the total amount of this class of paper having been accepted by this bank amounting to \$239,094.

Prior to the establishment of the commodity rate the board had established a preferential rate on trade acceptances of $3\frac{1}{2}$ per cent for maturities within 60 days, and 4 per cent for maturities, 61 to 90 days, and while some evidence is shown that this class of paper has been created, the aggregate amount offered for rediscount has been comparatively negligible, amounting to only \$160,795.

Discount operations had now extended to considerable proportions, and the machinery necessary to intelligently perform this service for our members had kept abreast of this advance. The bureau of credit information in this bank had been extensively developed, and enabled the executive committee to act upon offerings with certainty. Analyses of the reports of member banks, and, where necessary, special investigations disclosed their actual condition, and requests for, and careful consideration of, information submitted in connection with individual paper, made the extension of credit to members conform in every way to the safest banking principles. In several instances special investigations have been necessary in order to properly acquaint the executive committee with the condition of member banks, and these investigations have, without exception, proved of inestimable educational advantage to the banks themselves. Unfortunately, since the opening of the reserve bank, it has been necessary for the Comptroller of the Currency to appoint receivers for four of our members, but it is hoped that with the facilities opened since the enactment of the Federal Reserve Act, and the accompanying check to loose practices, the future need not bring a repetition of such action.

The accomplishment of the transfer of the second and third capital installments was materially aided by the Assistant Treasurer of the United States at New Orleans, Mr. W. W. Heard, who extended the facilities of his office in receiving direct from member banks shipments of gold coin and gold certificates for these payments. The transfers

of reserves, the second installment of which was made on November 16, was accomplished without the physical labor incident to the transfer of the first installment, for the reason that the change in banking conditions, and the establishment of the gold settlement fund at Washington, made it possible to receive transfers from reserve and central reserve cities, instead of the actual shipment of gold or lawful money. The deposits of the bank were increased by this installment to some \$9,200,000.

RELATIONS WITH BANKS.

During the month of August our vice governor, Mr. Hoopes, visited practically all of our member banks in Louisiana, with the view of bringing into closer relationship the interests of that community and apprising them more thoroughly of the advantages of membership in the Federal reserve system. Later, in November, Mr. Hoopes attended the meeting of the Arizona State Bankers' Association at Castle Hot Springs, Ariz., where he addressed the Convention, taking as his subject "The practical operation of the Federal Reserve Bank." On his return trip Mr. Hoopes visited several of the member banks in that section. Prior to these visits, and since the opening of the bank, several of our officers have attended various bankers' conventions in the district and have delivered addresses on the workings of the Federal reserve system. In May, the chairman accompanied Mr. Harding, member of the Federal Reserve Board, to the meeting of the Texas Bankers' Association, at Waco.

The effect of this intercourse has been far-reaching and the tangible results thereof have been great. It is the policy of the bank to use every effort to bring the advantages and protection afforded by membership in the reserve system to the attention of both National and State banks.

Up to the present time only 10 State banks have affiliated themselves with us, and as long as existing easy conditions last it is doubtful whether they will see the necessity for membership. This bank made an extensive educational campaign with a view of placing before the State banks the advantages of the system and the steps necessary for affiliation, and it is hoped that the recent rulings of the Federal Reserve Board, for the benefit of State banks, will prove an added incentive to them to join.

The temporary quarters of the bank, affording no facilities commensurate with the volume of business transacted, the board of directors, after considerable deliberation, caused the purchase of a five-story building on the corner of Commerce and Martin Streets, and the same was remodeled and fitted with modern fireproof vaults, with a capacity sufficient for our needs. On November 1 the physical removal took place, and the quarters are quite adequate for the expanding requirements of the bank. The cost, when complete, will be approximately \$185,000, including building, fixtures, and equipment.

Beginning October 13 the chairman took the proper steps providing for the election of one class A and one class B director, to succeed the incumbents whose terms expire on December 31, and Mr. John T. Scott, of Houston, Tex., was reelected as class A director, and Mr. Frank Kell, of Wichita Falls, Tex., was reelected as class B director; each to serve for three years beginning January 1, 1916.

Fiduciary powers have been granted to 19 banks, and several applications are pending. The board has taken every possible safeguard to the end that fiduciary powers be granted to only such banks as are without doubt entitled to, and worthy of, this responsibility. The laws of the States have been carefully canvassed by counsel, who has rendered an opinion in connection therewith for the guidance of the directors. Each application is submitted to counsel before action by the board, and the merits of the individual case are weighed carefully before any recommendation is made.

SCOPE OF ACTIVITY.

As an evidence of the usefulness of the system, during the bank's existence it has served, in the matter of rediscounting, 366 banks, to an aggregate extent of \$27,795,797, and for the calendar year of 1915 the service has been extended to 36 banks, in an aggregate amount of \$26,756,905, the total number of notes handled being 21,648.

While the earning capacity of the bank is a subsidiary consideration, it is gratifying to report that earnings from all sources, principally bills discounted, show an excess of \$75,388 over all current and organization expenses.

The directors have held 14 regular and 3 special meetings, and in each case there has been a quorum present, and in most all instances full representation. At the meetings detailed reports of the operations of the bank are submitted by the governor and chairman of the executive committee, as well as the report of the auditor, and matters of import are discussed frankly between the different classes of membership. It is gratifying to report that these discussions have been harmonious to a marked degree. Experience has shown that monthly meetings, as provided in the by-laws, are sufficiently frequent to meet the necessities. Our executive committee is composed of the governor, as chairman, Federal Reserve Agent, and one other director chosen by our board, selections being made in rotation from the others, and serving from one board meeting to the next. This committee meets daily and passes on the paper offered for rediscount, and other matters of importance to the bank's interest.

The general work of the bank has gone on without friction between the two departments. The Federal Reserve Agent and the governor have at all times been in complete harmony, and all matters of importance have been discussed between them before being put into operation.

Conditions in this district continue to improve. There has been a pronounced recovery from the depression that existed a year ago; in fact, from the opening of the Federal Reserve Bank a gradual improvement has been shown in practically all lines. That this bank has contributed its share in bringing about such a change there is no question. A very salutary lesson was learned during the unsettled conditions of last Fall, and forced economies by all have tended to put business of practically all lines on a better basis. The excellent prices realized by farmers have made possible liquidations of indebtedness that had been carried over from the past year, as well as their current obligations, and at the present time the outlook for the coming year is bright.

DISTRICT NO. 12—SAN FRANCISCO.

JOHN PERRIN, Chairman and Federal Reserve Agent.

In compliance with the request of the Federal Reserve Board, I have the honor to report concerning the establishment, in the twelfth Federal reserve district, of the Federal Reserve Bank of San Francisco and its financial operations during the first year, with some statement regarding various features of its development and suggestions of certain changes of laws which would enable the Federal Reserve Bank to serve more efficiently the productive activities of its district.

Appended are Tables 1 to 10, inclusive, giving details of the bank's condition and summaries of its principal financial operations; and Exhibits A to M, inclusive, giving certain collateral information:

TABLES.

1. Statement of condition as of November 30, 1915.
2. Rediscounts classified:
 - (a) By month and States.
 - (b) By States and industries.
3. Bankers' acceptances purchased.
4. Municipal warrants purchased.
5. United States bonds purchased.
6. Settlements through gold settlement fund.
7. Federal Reserve notes issued and redeemed.
8. Statement of earnings and expenses.
9. Payments on capital of Federal Reserve Bank, and amount of member banks' deposits with it November 30, 1915, with estimate of additional deposits to be made.
10. Checks collected.

EXHIBITS.

- A. Geographical outline and area of the district.
- B. Rate of development of district in population and wealth, by States.
- C. List of principal products and industries of district.
- D. Bank clearings in principal cities of district.
- E. Banking power of district.
- F. Seasonal demands and approximate prevailing rates of interest on loans in the several sections of the district.
- G. Calculation showing present earning power of member banks compared with that prior to the enactment of the Federal Reserve Act.
- H. Copy of by-laws of Federal Reserve Bank.
- I. Record of rediscount rates established by Federal Reserve Bank.
- J. List of banks granted special permits to act as trustee, executor, etc.
- K. List of banks granted permission to accept drafts and bills of exchange up to 100 per cent of their capital and surplus.
- L. Rates of exchange charged on checks in twelfth Federal reserve district.
- M. Principal items in member banks' report of condition for year ending November 30, 1915, and abstract of exchange, losses, and earnings against assets (classification of banks by total resources).

ESTABLISHMENT.

The first meeting of the board of directors of the Federal Reserve Bank of San Francisco was held on October 12, 1914, continuing, with frequent sessions, during the two days following. On this occasion Mr. Archibald C. Kains was chosen governor.

On October 14 the entire board of 9 directors and the governor proceeded to Washington and participated in a two days' conference between representatives of the Federal Reserve Banks and the Federal Reserve Board, called for the purpose of determining arrangements preliminary to the inauguration of the Federal reserve system.

Reassembling in San Francisco November 4, without provision then for banking room, clerical force, or stationery, the necessity was faced of becoming a going concern in 12 days, inasmuch as the Secretary of the Treasury had signified his intention of declaring the Federal Reserve System established on November 16, in pursuance of authority vested in him by the Federal Reserve Act. An apparent physical impossibility proved not to be such, and November 16 found this bank, with a capable staff installed in the temporary quarters still occupied.

Because of consequences growing out of the European war, the financial situation at the time was much strained, as shown by the fact that under the Aldrich-Vreeland Act, fortunately extended by the provisions of the Federal Reserve Act, additional currency had already been issued upon applications of banks in this district to the extent of \$15,862,650. Uncertainty and apprehension were general. The salutary influence of making the provisions of the Federal Reserve Act effective thoroughly justified the wisdom of immediate opening. Courage quickly reappeared, legitimate credit and currency requirements were met by member banks, further issues of Aldrich-Vreeland currency were promptly discontinued, and rapid retirement soon began of those outstanding. Confidence in the stability of the banking situation which then began to develop has since grown uninterruptedly, unshaken by many alarming incidents and rumors which hitherto would have caused general unsettlement.

STAFF AND CLERICAL FORCE.

The total force numbers 21, including officers, tellers, bookkeepers, stenographers, messengers, policeman, and janitor. The official staff of the operating department consists of Archibald C. Kains, governor; Russell Lowry, deputy governor; George B. Bordwell, cashier; Clifford J. Shepherd, assistant cashier; Ira Clerk, auditor. The deputy governor, however, has tendered his resignation, effective December 31, in order to accept the presidency of the First National Bank of Oakland, Cal.

The chairman of the board and Federal Reserve Agent, John Perrin, has in his department one assistant, Clifford J. Shepherd (also assistant cashier), and one stenographer. The deputy chairman and deputy Federal Reserve Agent, Claud Gatch, is also chief national-bank examiner, is not regularly engaged in the work of the bank but performs certain duties when the chairman is absent.

The executive committee consists of the governor, as chairman ex-officio; C. H. McIntosh (class A), James K. Lynch (class A), Elmer H. Cox (class B), and the chairman of the board ex-officio.

INTERNAL ORGANIZATION.

In operation the cleavage between the governor's department and that of the chairman of the board has been minimized. Statutory discretion is lodged only in the governor and chairman (or their deputies). Beyond them, there seems no fundamental reason for any but a homogeneous force available for the duties of either department. Following this view the assistant of the chairman of the board has been made assistant cashier of the bank, and on occasion has been acting cashier. The relations between

he governor and the chairman have evolved into substantially those of a partnership, each being fully informed of that which transpires in the province of the other. Policies are discussed and agreed upon for reference to the board of directors. Discussion and interchange of opinion benefit the presentation of matters to the Federal Reserve Board.

For prompt disposition of rediscounts the practical method has developed of crediting the proceeds immediately upon the signed approval of the governor and the chairman of the board, other members of the executive committee each investigating at his individual convenience and affixing to the application his signature of approval. The summary of rediscounts for each bank is then presented to the full board in the form of a report signed by the members of the executive committee. Such a method gives a promptness of service equal to that of a member bank under the management of a single efficient chief executive. Subsequent approval by other members of the executive committee is not mere ratification. Their expression of views and criticisms constantly guide the governor and the chairman of the board in determining a course in conformity with the views of the entire committee. It is not believed that any institution can operate efficiently where executive-committee action must precede every transaction. The executive committee, in addition to participating with the officers in approving rediscounts and considering matters specifically referred, is available for speedy consultation upon the governor's telephone call. In a stress or crisis this will serve a most important purpose.

DIRECTORS.

Meetings of directors not less often than twice each month seem very desirable because of the value of interchange of views, not only with regard to rediscount rates and all general policies, but also with regard to business conditions. Such frequent meetings are, of course, feasible only when a board of directors is made up of those living near, and this was made possible when, by concert of action of many member banks located at distant points, directors of classes A and B were chosen from among bankers and business men living in or near San Francisco.

All directors presumably recognize their obligation to serve well all banking and business interests of the entire district, but it seems logical that each director should give somewhat special consideration to those interests which he has been especially chosen to represent. For instance, a class B director, chosen to represent business interests, by banks of group 3 (now comprising those having capital of \$53,000 and less), would thus give special attention to the credit needs of the customers of group 3 banks throughout the district and to the ways in which the Federal Reserve Bank could influence the betterment of banking service available to them, etc.

OPERATIONS.

The period since the establishment of the Federal Reserve System has been one of progressive ease in matters of credit. The check to business and liquidation resulting from the breaking out of the European war would of itself have resulted in accumulation of idle funds. In addition to this the reduction in reserve requirements under the provisions of the Federal Reserve Act has given to member banks the privilege of largely increasing their loans. Excess reserves held by member banks of this district were \$2,420,638 on October 31, 1914, and \$75,211,573 on September 2, 1915. The excess is chiefly due to reduction in reserve requirements, as shown by the fact that the totals of reserves held on the respective dates were \$107,226,892 and \$139,749,562. Cash and exchange held on the same dates were \$186,191,580 and \$224,887,849, respectively. In addition to both these factors, the unparalleled imports of gold. All have contributed to the un-

funds beyond precedent. Under these circumstances there has been a diminished need for rediscounts.

From the standpoint of rapidity of development of the Federal Reserve Bank this is regrettable. Member banks need information concerning the Federal Reserve Bank's methods and requirements, best gained by actual rediscount transactions in order that they may develop as large a percentage as possible of their paper in form and character acceptable for rediscount. Such paper is a potential reserve and in amount must more than offset the reduction of reserve requirements in the banking situation is to be stronger than hitherto. This development is a process of education which must include both banks and customers and necessarily will require time. The earlier entered upon the sooner will there be cumulative strength in the general situation. Conversely, it is only by experience that the Federal Reserve Bank can be prepared for the time of heavy demands.

About 31 per cent of the member banks have had rediscount transactions with the Federal Reserve Bank, many simply to gain information, some because needed funds. In a considerable number of cases important service has undoubtedly been rendered. So far as has been learned, member banks have found their dealings satisfactory. There has been effort to give service as prompt and untechnical as that of the most efficient member bank.

Table 2 (a) gives information as to rediscounts made, arranged by months and States; Table 2 (b) arranged by industries and States.

REDISCOUNT POLICY.

The initial rediscount rates established by this bank with the approval of the Federal Reserve Board were avowedly too high. There was no experience to determine the correct rates and it was believed prudent at the outset to approach the right level by lowering rates rather than by raising them. After several changes, the rates fixed on January 22, 1915, have since remained in force substantially unchanged and are lower than borrowing rates hitherto generally available. The record of rates established is shown in Exhibit I.

Agricultural paper and that based on live stock are the only kinds eligible for rediscount with maturities beyond 90 days. For this a rate of 6 per cent has been established, while the rate for 90 days is 4½ per cent. It has now and then been suggested that this is a discrimination against farmers and those interested in live stock. It will be observed that agricultural and live-stock paper has every privilege of other paper in lower rates for shorter maturities, and in addition has the special privilege of rediscount for maturities beyond 90 days not accorded to any other class of paper.

In a rapidly developing section, such as this district, it is inevitable that there should be a higher percentage of fixed loans—capital advances for enterprises which, however worthy, can not quickly repay—than in an older district where there is less of development enterprise in proportion to accumulated capital. The board of directors have felt it wise policy that this bank should more assiduously maintain a liquid condition than would be necessary if in a district where the loans of member banks were proportionately more liquid. Consequently, the incentive is offered by considerably lower rates for the shorter maturities.

The management of this bank has deemed it wise, while giving due weight to a member bank's indorsement, to accept paper only upon its own merits. Accordingly, statements have been required from the makers of all notes presented for rediscount, both because the Federal Reserve Bank can thus best exercise discriminating judgment, and because it believes no practice more salutary than the development of member banks of adequate credit files. Exceptions have been made in the case of notes for small amounts, the applicant's own estimate of a borrower's assets and liabilities being accepted, but it is expected that ultimately copies of borrower's or-

statements will accompany even notes for small amounts. Adequate showing is also required of the responsibility and character of makers of collateralized paper.

If paper is not of satisfactory quality the right is recognized of requiring additional collateral, but there seem good grounds for believing that no member bank can be operating wisely whose paper is normally of such inferior quality that it will not meet the moderate requirements imposed. In no instance, thus far, has additional collateral been required.

Progressive excellence in the character and form of paper offered for rediscount is expected. At the outset it is obvious that more can not be exacted than that a member bank should offer the best paper which it then has, but it would seem entirely proper that there should be progressively rigid requirements, under which, as a condition of approval, a member bank's paper should conform to a higher standard after a year's experience than in its initial offerings. So far as has been possible, technicalities have been waived to avoid refusal of offerings, deficiencies being pointed out for betterment of subsequent offerings.

OPEN-MARKET TRANSACTIONS.

Under the authority to engage in open-market transactions there have been bought \$1,010,000 of United States 2 per cent bonds (Table 5), and, through the Federal Reserve Banks of New York and Boston, certain bankers' acceptances (Table 3), and municipal warrants (Table 4). Bankers' acceptances have been bought at rates as low as 2 per cent basis and municipal warrants at only slightly higher rates. Thus far borrowers in this district have not offered important amounts of obligations of this character, as they doubtless will when they realize the opportunity offered to finance transactions of a certain character at such advantageous rates. States of this district will also doubtless authorize municipal warrants of eligible character when it is realized that temporary municipal borrowings can be negotiated at such low rates.

By such open-market investments a Federal Reserve Bank may, within reasonable limits, earn what it chooses, independently of rediscounts for member banks. For this reason it is clear that no member bank should ever feel an obligation to rediscount with the Federal Reserve Bank for the latter's supposed benefit.

EARNINGS.

The total net earnings from April 1, 1915, to November 30, 1915, have exceeded the current expenses of that period (Table 8), although current expenses since organization exceed current earnings by \$9,521.80. Organization expenses are carried at \$33,626.49 and cost of printing Federal Reserve notes \$34,394.27. The latter item has been reduced by \$526.30, the pro rata amount for notes unfit for circulation which have been canceled. A condition in which reserves in excess of legal requirements have steadily increased during more than 12 months naturally restricts the volume of applications for rediscount. Total rediscounts made during the month of November, 1915, aggregated only \$119,072, the smallest of any month since November, 1914. Other income has been derived through the purchases mentioned of bankers' acceptances, municipal warrants, and United States bonds.

The fear sometimes expressed that deficiency in earnings will be made up by assessments on member banks may, I assume, be dismissed as beyond the probabilities. The relative unimportance of these expenses will be appreciated when it is realized that their annual rate represents approximately two one-hundredths of 1 per cent of the loans and investments of the member banks in this district. In other words, if the income rate upon their investments were 6 per cent, it would reduce this to only 5.98 per cent if the expenses were paid entirely by the member banks.

While there seems no economic defense for an effort to employ a Federal Reserve Bank's funds for the purpose of

may be called the psychological importance of reasonable earnings seems so great as to become a well-defined economic factor. The view that effort to make earnings now undesirable of course has its basis in the belief that greatest protection to business interests will be had by withholding the Federal Reserve Bank's credit-creating power so as to have it available when need arises. But those holding this view may underestimate the economic importance of present popular approval and unqualified faith in the success of the Federal reserve system. Earnings constitute the group of success applied by a large section of the public, including many bankers. It is characteristically human to uphold the successful enterprise and to obstruct the unsuccessful. A smaller percentage of money reserve coupled with unqualified approval will constitute more potent power of support than larger reserves with less of public confidence.

There are collateral advantages in reasonable earnings. They would justify the most rapid internal development along lines of preparation for useful service, such as the development and thorough training of the credit department, the efficient service of which is so essential to discriminating judgment in time of stress and in which eligible clerks should serve apprenticeship in order to provide for quick expansion of capacity to render vital service if stress arises; the thorough development of a department of information as to conditions throughout the district, through which the management of the bank and the Federal Reserve Board would have closest touch with the trend of credit conditions. Naturally no development will be carried far, the cost of which must be paid out of capital. Such considerations urge earnings well in excess of current expenses.

PURCHASE OF UNITED STATES BONDS.

One way to accomplish this without impairing a Federal Reserve Bank's reserve would be by present purchase of United States bonds. The Federal Reserve Banks are the instrumentality through which it is designed that the undesirable bond-secured circulation is to be eliminated. To this end it will become necessary for them ultimately to buy the major part of the outstanding 2 per cent bonds now pledged to secure circulation. Exchanged for 30-year 3 per cent bonds without the circulation privilege, as provided by the Federal Reserve Act, they will gradually be bought by investors and this problem will thus be permanently settled and real elasticity in the currency attained, the volume of Federal Reserve notes then expanding and contracting according to varying business requirements. A good many years will necessarily be required to accomplish this result, but meanwhile the Federal Reserve Banks would enjoy a net income averaging about $1\frac{1}{2}$ per cent per annum upon the amount of bonds held. By substituting their own bond-secured circulation for that of member banks now outstanding, the bonds would be carried with an important investment of reserve money. This would be unqualifiedly true if the present currency is not redundant in volume, and the present rate of redemption indicates that it is not. It is to be observed too, if the present volume of currency should become redundant and consequently enforce greater redemptions, that, while this would correspondingly invade the reserves of the Federal Reserve Bank, it would be only because of a reduced volume of cash transactions incident to inactive commerce, when rediscount demands would be light. Heavy rediscount demands would appear only in conjunction with requirement for a large volume of currency. The expanding volume of business incident to the country's growth involves necessarily a certain average increase in the volume of transactions settled with money, entailing the need of an increasing volume of currency. A volume of currency redundant to-day would soon be inadequate.

More certain progress in the solution of this problem would be assured if the law were modified so that the privilege of issuing circulating notes should not be included in

FEDERAL RESERVE NOTES.

CHECK COLLECTION.

If it be accepted as the broad purpose of the Federal reserve system to stabilize commerce, then the Federal Reserve Banks must establish channels for the collection of checks which will not become clogged in a financial crisis, as in 1907, otherwise such a possible dislocation of business would always remain a potential menace. Appreciation of the importance of the whole financial and commercial situation, and thus of the whole financial and commercial objections of those who

in spite of aspects unsound in present methods are reluctant to forego present exchange charges. Other provisions of the Federal Reserve Act offer opportunities for counterbalancing profits not hitherto possible.

STATE BANKS AND TRUST COMPANIES.

State banks and trust companies show many evidences of an attitude favorable to the Federal reserve system, but defer application for membership because no necessity of present service impels. This bank regards each sound State bank or trust company as a potential member of the Federal reserve system, having clear conviction of the fundamental importance of such membership. National banks and the Federal Reserve Banks now constitute the base of an inverted pyramid representing the entire credit structure of the country, including all State banks and trust companies. The sufficiency of that base is not in immediate question, but no State bank should fail to realize that the safety of the whole business situation, and consequently its own safety and prosperity, depend upon the sufficiency of that base, which would obviously be greatly broadened if a large section of the State banks were transferred from the superstructure and made a part of the base itself.

It may reasonably be expected that the more conservative State institutions will promptly secure any legislation necessary to authorize membership and become members early enough to avoid delay from congestion of applications when stress impends. The attitude of member banks toward the Federal Reserve Bank augurs well for such ultimate accessions. Although there are exceptions, usually growing out of lack of information of the Federal Reserve Bank's methods and disposition, or lack of understanding of the Federal Reserve Act, yet for the most part there has been shown a spirit of cordial cooperation, which with better understanding and acquaintance is steadily growing. From those banks concerning aspects of whose condition it has been necessary to make unfavorable expression there has come without exception frank and cordial response, suggesting the potentiality of this bank as a remedial influence.

POWERS OF TRUSTEE, EXECUTOR, ETC.

A list is given herewith (Exhibit J) of national banks in this district to which the Federal Reserve Board has granted special permits to exercise the powers of trustee, executor, administrator, or registrar of stocks and bonds.

It is the opinion of counsel of this bank that under the laws of only one of the States constituting this district—viz. Washington—may a national bank act as trustee, executor, administrator, and registrar of stocks and bonds; but that also under the laws of California, Oregon, Utah, and Arizona it may act as registrar of stocks and bonds. Enabling legislation will broaden the opportunities of national banks to render such service.

CONDITIONS IN TWELFTH DISTRICT.

The outbreak of the European war probably occasioned less dislocation of trade and industry in this district than in any other, and during the 12 months past there has been a moderate but widespread improvement in general conditions.

Relatively the most unfavorable effect of the war has been upon ocean transportation, and the temporary closing of the Panama Canal has been an importantly unfavorable event for this coast. There have been interesting developments in shipping. Following withdrawal of the Pacific Mail steamers has come the recent report of the purchase by the American International Corporation, to place them again in Pacific trade, with intimation of important extension of service. The Java-Pacific line has been established by a foreign syndicate. The Japanese line is reported as doubling the number of its ships. The Union Iron Works, of San Francisco, of which Mr. J. A. McGregor (class B director) is president, has now under way construction of

gating \$18,000,000. Not only has foreign commerce through Pacific ports increased during the year in spite of handicaps, but there seems prospect of continued large expansion.

Live-stock interests of eastern Washington, Oregon, Idaho, Nevada, Utah and Arizona have thrived throughout the 12 months past, and now have satisfactory prospects.

Agriculture has prospered. Grain growers of eastern Washington, Oregon, and southern Idaho received extraordinary prices a year ago, and this year have had large crops, with profitable, though somewhat lower, prices. Apples of Oregon and Washington, unsatisfactorily marketed a year ago because of interruption of exports, have sold at good prices this year. Hops, almost unsalable a year ago, now command excellent prices. Growers of raisins and prunes have had satisfactory results, particularly this year. Fresh and canned fruits have not been so satisfactory. In citrus fruits, the crops have been large. Prices of lemons have been continuously demoralized and unprofitable. The first two-thirds of last year's orange crop was sold at unprofitable prices, but the final third commanded excellent prices. Record prices are being paid for early oranges of this year's crop, more than 3,000 carloads having been reported as already shipped from the Porterville (Cal.) district. Beans constitute an important California crop, large amounts being exported. Last year's returns were unusually large. The harvest this year has also been large and prices good. The wine industry is not prosperous, and growers of wine grapes suffer accordingly, but table grapes have sold this season in large quantities at profitable prices.

Activity in mining has steadily expanded during the past year, copper mines, chiefly centering in Utah and Arizona, making record output. Advancing prices are benefiting producers of silver, the output of which has a value approximating two-thirds that of the gold produced in this district, including Alaska. Interest in gold mining is reported as increasing. One of the interesting gold producers is a large corporation reclaiming many thousands of acres in the Sacramento Valley by building dikes and incidentally washing out gold from the earth handled to pay the cost of the development.

Lumbering, constituting 60 per cent of the commerce and industry of Washington and Oregon, has been greatly depressed until recently, when important buying, including some on the part of railroads, has imparted a better tone. There is also increase of new building. The outlook is much improved.

The petroleum industry, likewise depressed a year ago, has of late shown expanding consumption with advancing prices. The production approximates 100,000,000 barrels per annum.

Producers of Hawaiian sugar have been receiving extraordinary returns this year, in contrast with disastrous conditions predicted before the outbreak of the war. Important dealings in stocks of sugar companies have resulted.

Fisheries, one of the important industries of the Pacific coast, have prospered during the past 12 months, the salmon pack of Alaska being larger than ever before. This is one of the important items of the industries of Alaska, whose total commerce now approximates \$100,000,000.

Earnings of the principal railroads operating in this district, now at record point, have continuously expanded throughout the past 12 months, evidencing the rising volume of general commerce and industry.

This district is enormously rich in natural resources and surpasses in variety of products. Harvesting of some character is always in progress—as, for instance, in citrus fruits, lemons are gathered continuously the year round; the first oranges are gathered in November and picking continues through the spring, and summer; strawberries ripen every month; there are many other fruit crops. The distribution of harvesting throughout the year balances the requirements against new requirements in a remarkable way. An

interests of Idaho borrow in the spring and liquidate in the fall, while those of Arizona borrow in the fall and liquidate in the spring. Proceeds from the sale of early produce provide the means to meet later requirements in the same locality; the same produce matures in different sections at such diverse times that the realized proceeds of the harvest in one part would finance the harvest needs of another.

There is probably less of a peak credit load in this district than in any other, and seemingly, if its credit resources are mobilized, they will rarely fail to suffice for commercial needs. Bank deposits have shown large gains within 12 months, and bank clearings reflect important increase in the volume of transactions.

A plan of cooperative credit, directly benefiting farmers, and incidentally creating paper admirably eligible for rediscount with the Federal Reserve Bank, has been developed at Weiser, Idaho, which is interesting because of successful operation, unusual because under it creditors instead of debtors cooperate.

There are abundant evidences of continuous progress throughout the district and growth in both wealth and population. The Federal Reserve Bank of San Francisco has a great field and large opportunity for useful service.

TABLE 1.—Statement of condition of Federal Reserve Bank of San Francisco, Nov. 1, 1915.

RESOURCES.	
Bills discounted:	
Members.....	868,777
Bought.....	521,750
Investments, municipal warrants.....	1,132,800
United States bonds on hand.....	1,000,470
Interest accrued on United States bonds.....	3,000
Organization expense.....	23,125
Cost of Federal Reserve notes.....	34,750
Furniture and equipment.....	5,250
Current expense.....	1,000
Profit and loss.....	9,250
Due from other Federal Reserve Banks:	
Collected funds.....	\$2,449,295.49
Items in transit.....	432,890.23
	2,882,185.72
Exchanges for clearing house.....	24,000
Transit account.....	15,000
National-bank notes and notes of other Federal Reserve Banks.....	3,000
Federal Reserve notes on hand.....	1,535,000
Nicks and cents.....	500
Reserves:	
Gold settlement fund.....	\$7,536,000.00
Due from Treasurer of United States, gold redemption fund (Federal Reserve notes).....	21,625.00
Gold bullion and coin.....	347,045.00
Gold certificates.....	5,454,840.00
Silver certificates.....	9,657.00
Legal tender notes.....	16,840.00
Silver coin.....	26.65
Total reserve.....	13,365,552.65
Total resources.....	21,310,736.74
LIABILITIES.	
Capital paid in.....	\$3,941,500.00
Capital, suspense account.....	500
Unearned discount.....	5,000
Due to other Federal Reserve Banks.....	19,500
Due to member banks.....	17,320
Expense checks.....	1,000
Cashiers' checks outstanding.....	2,000
Deferred credits.....	15,000
Federal Reserve notes.....	\$4,370,000.00
Less gold with Federal Reserve Agent for retirement of Federal Reserve notes.....	4,370,000.00
Total liabilities.....	21,310,736.74

JANUARY 10, 1915, TO DEC. 1, 1915.

Months.	Arizona.			California.			Idaho.			Nevada.			Oregon.			Utah.			Washington.			Total for month.		
	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.
1914.																								
November.....				1	8	\$0,592							1	1	\$3,000							2	9	\$12,562
December.....				13	99	1,014,838	1	1	\$8,500													14	100	1,025,338
Total.....				14	107	1,024,430	1	1	8,500				1	1	3,000							16	109	1,038,930
1915.																								
January.....				20	83	789,643	4	22	14,283				4	7	20,373	1	9	\$32,012	1	5	\$31,134	29	117	835,413
February.....				20	111	557,478	4	16	34,070				8	17	34,152							32	161	761,947
March.....				15	161	572,749	7	35	69,119				8	35	96,357				1	1	5,000	31	232	744,225
April.....				24	162	323,975	6	32	31,412				2	8	11,012	1	9	37,400	3	12	16,102	37	229	428,901
May.....				24	186	1,050,933	6	32	85,853				6	29	65,165				4	17	37,547	38	251	1,237,498
June.....				34	171	639,466	6	50	39,783				9	25	11,907	1	7	40,749	6	17	45,225	55	271	960,155
July.....				35	211	373,908	8	71	73,865				9	30	14,511				5	36	127,543	55	348	762,547
August.....				35	211	373,908	8	71	73,865				9	30	14,511				5	36	127,543	55	348	762,547
September.....				37	154	323,925	5	29	23,953				6	15	12,064				5	34	57,736	43	229	446,311
October.....				1	1	\$6,300	3	15	14,653				4	15	12,321				4	19	38,749	29	198	440,028
November.....				1	1	15,000	3	11	14,653				4	15	12,321				5	35	40,305	27	135	366,765
Total, 1915.....				1	1	15,000	2	4	6,580				3	5	22,060				4	10	26,367	21	59	119,072
Total, 1915.....				2	2	21,000	17	320	439,941	1	8	74,135	31	223	642,001	2	25	130,161	19	160	438,320	163	2,230	7,054,763
Total redemptions to date.....				2	2	21,000	17	321	438,441	1	8	74,135	31	224	644,001	2	25	130,161	19	160	438,320	163	2,239	8,040,493
Average per piece.....						3,965			1,365			9,269			2,879			6,200			2,534			3,416

TABLE 2B.—Classification of rediscounts from Nov. 16, 1914, to Dec. 1, 1915.

Classifications.	Arizona.		California.		Idaho.		Nevada.		Oregon.		Utah.		Washington.		Total by classifications.	
	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.
Agriculture.....	2	\$21,900	760	\$1,159,722	201	\$180,655	8	\$74,135	75	\$192,834	2	\$7,280	101	\$167,429	1,150	\$1,783,955
Like stock.....			41	143,270	61	129,980			37	102,919	6	27,753	1	2,000	146	405,002
Grain, flour, feed.....			24	225,652	11	22,949			23	81,517			7	24,203	65	354,321
Fruit packers and shippers.....			127	629,267	3	6,563			11	11,730			1		142	648,360
Meat and fish packers.....			30	284,025					1	5,000	4	30,536	1	22,500	42	342,061
Lumber.....			34	212,963	6	19,142			10	62,660	4	20,263	23	107,634	77	422,722
Manufacturing.....			97	633,570	2	6,000			11	37,623	3	15,351		10,000	114	702,544
Wholesale merchandise.....			110	1,078,125					5	22,000			5	16,000	120	1,116,125
Retail merchandise.....			317	1,471,798	30	68,898			46	116,441	6	28,978	19	65,403	418	1,751,518
Petroleum.....			10	323,972					1	5,000					11	328,972
Miscellaneous.....			40	190,332	6	24,274			4	8,147					54	235,113
Total rediscounts for period.....	2	21,900	1,590	6,352,726	321	438,441	8	74,135	224	645,001	25	130,161	169	428,329	2,339	8,090,663
Total number of banks re-discounting to date.....	2		93				1		31			2	19			165

TABLE 3.—Acceptances purchased, Nov. 16, 1914, to Dec. 1, 1915, segregated by acceptors and months purchased.

Accepted by—	March.	April.	May.	June.	July.	August.	September.	October.	November.	Total.
Bank of America.....										\$26,875.00
Bankers Trust Co., New York.....							\$11,250.00	\$6,875.00	\$8,750.00	246,442.36
American Exchange National Bank, New York.....	\$61,442.36	\$35,000.00			\$50,000.00	\$100,000.00	25,000.00	8,750.00		208,750.00
Chase National Bank, New York.....			\$100,000.00				8,750.00			8,750.00
National City Bank, New York.....		42,975.11		\$19,828.76		10,000.00	5,750.00	9,348.00	57,346.00	192,624.33
Columbia Trust Co., New York.....	53,026.46						5,000.00	45,000.00		50,000.00
National Bank of Commerce, New York.....							17,500.00	10,000.00		27,500.00
Guaranty Trust Co., New York.....					61,980.00	192,436.78	32,566.43	29,681.14	166,624.32	1,712,269.17
Goldman Sachs & Co., New York.....	310,023.55	695,262.82	223,664.04		10,000.00			18,574.80		26,574.80
Mechanics & Metals National Bank, New York.....					20,582.63	17,500.00		69,064.98	28,803.67	135,961.26
Bank of New York, National Banking Association, New York.....										
First National Bank, Boston, Mass.....						44,070.00	10,000.00	58,750.00	6,248.66	119,068.66
Merchants National Bank, Boston, Mass.....										95,792.50
Philadelphia National Bank, Philadelphia, Pa.....							11,260.00			11,260.00
Irving National Bank, New York.....										118,067.56
Total.....	474,494.37	824,267.83	323,664.04	244,276.81	142,062.79	304,096.78	131,316.43	302,450.19	260,711.41	2,992,849.01

TABLE 4.—Short-term warrants, notes, and bonds purchased Nov. 16, 1914, to Dec. 1, 1915, classified by States and months purchased.

Month.	Municipalities within State of—								Total by month.
	California.	Georgia.	Oregon.	Massachusetts.	New Hampshire.	New Jersey.	New York.	Utah.	
March.			\$1,020.00	\$40,000.00		\$12,111.02	\$54,115.25		\$55,135.25
April.				250,400.00			115,554.91		167,655.93
May.				310,698.42			600,000.00		960,400.00
June.	\$12,422.25			221,157.50	\$15,000.00				338,090.67
July.	5,250.00			50,206.59		20,300.00	153,959.59		330,427.09
August.	10,666.25			24,000.00		25,466.75	587,175.32		668,351.16
September.				10,000.00		13,124.58	21,290.83		70,796.58
October.									23,124.58
November.	4,200.00	\$63,450.00						\$20,358.40	85,008.40
Total	32,538.50	63,450.00	1,020.00	916,465.51	15,000.00	71,004.35	1,532,125.90	20,358.40	2,651,862.66

TABLE 5.—United States bonds purchased.

Description.	Maturity.	Rate.	Basis.	Par value.	Carried at—
United States consols of 1930.....	1930		2 0189	\$1,000,000	\$990,625
Do.....	1930		2 0182	10,000	9,550
Total.....				1,010,000	1,000,475

ANALYSIS OF NET MONTHLY TRANSACTIONS TO NOV. 30, 1915.

[illegible]

TABLE 7.—*Federal Reserve notes—Federal Reserve Agent's account to Nov. 30, 1915, inclusive.*

Received from comptroller:		
5-dollar Federal Reserve notes.....	\$4,160,000	
10-dollar Federal Reserve notes.....	2,780,000	
20-dollar Federal Reserve notes.....	1,680,000	
50-dollar Federal Reserve notes.....	600,000	
100-dollar Federal Reserve notes.....	800,000	
		\$10,000.00
On hand Nov. 30, 1915, p. m.:		
5-dollar Federal Reserve notes.....	2,360,000	
10-dollar Federal Reserve notes.....	1,600,000	
20-dollar Federal Reserve notes.....	640,000	
50-dollar Federal Reserve notes.....	400,000	
100-dollar Federal Reserve notes.....	400,000	
		5,400.00
Issued to Federal Reserve Bank.....		4,000.00
Received from Federal Reserve Bank and sent to Comptroller of Currency for cancellation and destruction.....		230.00
Federal Reserve notes outstanding.....		4,370.00
Deposited by Federal Reserve Agent with Federal Reserve Board in the form of gold order certificates in \$10,000 denominations, for redemption of Federal Reserve notes.....		4,370.00
Received from Federal Reserve Agent.....	\$4,600,000	
Returned to Federal Reserve Agent for redemption.....	230,000	
Net total received from agent.....		4,370.00
In vaults of bank Nov. 30, 1915.....		1,535.45
Federal Reserve notes in hands of public.....		2,834.55
Received from Federal Reserve Agent.....		4,000.00
Delivered to Federal Reserve Agent for redemption.....		230.00
Net amount notes received.....		4,370.00
Redeemed:		
Member banks.....	\$370,345	
Other Federal Reserve Banks.....	194,685	
Total redemptions.....		565.03
		4,834.97
On hand Nov. 30, 1915.....		1,535.45
Total amount of issues and releases.....		3,399.45
Distribution approximately as follows:		
Paid over counter.....		1 2,130.75
California.....		335.63
Washington.....		826.71
Utah.....		50.00
Idaho.....		1.00
Oregon.....		3.14
Total.....		3,399.45

TABLE 8.—*Earnings of the Federal Reserve Bank of San Francisco, Nov. 16, 1914, to Nov. 30, 1915.*

	Amount invested.	Total income since Nov. 16, 1914.
Earnings from:		
Bills discounted member banks.....	\$8,000,185.00	\$61,811.00
Bills purchased (acceptances).....	2,870,481.68	12,045.00
Investments:		
United States bonds.....	1,010,000.00	16,747.00
Warrants.....	2,651,863.66	17,255.00
Sundry profits.....		1,355.00
Total earnings.....		109,168.00

¹ No doubt many of these were shipped to country bank correspondents.

TABLE 8A.—Expenditures of the Federal Reserve Bank of San Francisco to Nov. 30, 1915.

	Total since Nov. 16, 1914.
1. CURRENT EXPENSES.	
Federal Reserve Board assessment for general expenses, monthly proportion.....	\$6,559.33
Federal advisory council (fees).....	
Directors' fees.....	2,620.00
Legal fees.....	
Salaries:	
Bank officers.....	42,125.00
Clerical staff.....	27,788.85
Special officers and watchman.....	110.00
Traveling expenses:	
Directors.....	168.00
Officers and clerks—	
Federal Reserve Agents' conferences.....	\$918.70
Advisory councils.....	950.60
Governors' conferences.....	2,664.74
Within twelfth district.....	1,266.84
Total.....	5,800.88
Per diem allowance of directors.....	345.00
Telephone.....	402.15
Telegraph.....	349.15
Postage.....	1,773.24
Expressage.....	287.38
Rent.....	16,876.44
Insurance and premiums on fidelity bonds.....	871.91
Light, heat, and power.....	285.40
Printing and stationery.....	5,333.83
Repairs and alterations.....	4,078.79
All other expenses, not elsewhere specified.....	2,411.58
Federal Reserve notes, cost.....	526.30
Total current expenses.....	118,712.23
2. ORGANIZATION EXPENSES.	
[Carried from current expenses, account expenses prior to Nov. 16, 1914.]	
San Francisco clearing house membership.....	\$1,000.00
Alterations to banking quarters.....	1,568.05
Traveling expenses October conference, 1914, 9 directors and governor.....	4,807.00
Express on coin and currency in connection with initial payments of capital stock and reserve.....	6,682.09
Assessments of Federal Reserve Board.....	13,817.08
Stationery (ordered by Federal Reserve Board).....	5,952.27
Total.....	33,626.49
3. COST OF FEDERAL RESERVE NOTES.	
Cost of manufacturing 3,212,000 notes, amounting to \$28,940,000.....	\$31,373.59
Cost of expressage, 180,000 notes, amounting to \$2,000,000.....	\$1,000.00
Cost of postage and insurance, \$28,000 notes, amounting to \$8,000,000.....	2,499.88
Sundry costs.....	3,499.88
	47.10
	34,920.57
Less:	
Amortisation (manufacturing) 40,000 notes, amounting to \$230,000.....	390.70
Amortisation expressage 40,000 notes, amounting to \$230,000.....	115.00
Redemption cost.....	20.60
	526.30
Total.....	34,394.27
4. EQUIPMENT.	
Furniture and fixtures.....	932.35
Vaults.....	
Machines, typewriters, adding machines, scales, etc.....	4,308.02
Total equipment.....	5,235.37
Total expenditures.....	191,968.36

TABLE 9.—*Capital and deposits paid and estimated additional to be received.*

Capital stock—payments made.					Reserve deposits.					Combined capital and reserve.
Date due.	Per cent of sub- scrip- tions.	Paid by re- serve city banks.	Paid by country banks.	Total capital.	Date due.	Per cent of re- quire- ments.	Reserve city banks.	Country banks.	Total reserve.	
Nov. 1, 1914.....	‡	\$743,266.67	\$552,583.33	\$1,295,850.00	Nov. 16, 1914.....	‡	\$8,357,033.00	.....	.....	\$8,357,033.00
Feb. 1, 1915.....	‡	743,266.67	552,583.33	2,591,700.00	Do.....	‡	.....	94,525,198.00	12,892,231.00	14,178,081.00
May 1, 1915.....	‡	743,266.66	552,583.34	3,887,550.00	.....	.....	.....	.....	.....	15,473,931.00
Increases and decreases, net.....		29,950.00	24,000.00	3,941,500.00	Nov. 16, 1915.....	‡	2,122,803.00	.....	.....	16,799,781.00
					Do.....	‡	.....	2,464,933.00	17,469,987.00	19,111,487.00
					ESTIMATED ADDITIONS.‡	.....	.....	.....	.....	.....
					May 16, 1916.....	‡	2,122,803.00	2,464,933.00	.....	23,534,200.00
					Do.....	‡	.....	.....	.....	25,999,243.00
					Nov. 16, 1916.....	‡	2,122,803.00	2,464,933.00	.....	28,122,046.00
					Do.....	‡	.....	.....	.....	30,586,989.00
					OPTIONAL TRANSFERS	.....	.....	.....	.....	34,538,499.00
Total Nov. 16, 1916, subject to call.....		2,239,750.00	1,681,750.00	3,941,500.00	Nov. 16, 1917.....	‡	8,491,212.00	7,394,859.00	.....	43,019,711.00
					Do.....	‡	.....	.....	.....	50,414,570.00

Total after Nov. 16, 1917, if entire optional reserve is carried with Federal Reserve Board and entire capital paid, \$50,414,570.¹
Original subscribed capital, \$7,775,100.

¹ General ledger balances about 30 days after due date used in order to include those not remitting promptly.

² This does not include possible Government deposits.

TABLE 10.—*Intradistrict collections for August, September, October, and November.*

NUMBER OF BANKS IN COLLECTION SYSTEM.

Aug. 1.....	141
Nov. 30.....	160

NUMBER OF BANKS DEPOSITING CASH LETTERS, AND ITEMS RECEIVED FOR DEFERRED CREDIT DURING THE PERIOD.

	Number of banks.	Cash letters.	Items.	Average per letter.
Members of collection system.....	30	215	3,035	14.1
Paying desk and nonmembers of collection system.....	22	.....	111	.....
Total.....	52	.....	3,146	.....
Cash letters and items outgoing during the period:				
Members of collection system.....	110	1,137	3,049	2.8
Nonmembers of collection system.....	34	91	97	1.1
Total.....	144	1,228	2,146	2.6

TOTAL AMOUNT RECEIVED DURING PERIOD.

	Amount.	Average per item.	Average per letter.
From members of collection system.....	\$244,547.00	\$80.58	\$1,137.42
From nonmembers of collection system and paying desk.....	65,967.00	994.21	.....
Total.....	310,504.00	98.70	.....

TOTAL AMOUNT SENT DURING PERIOD.

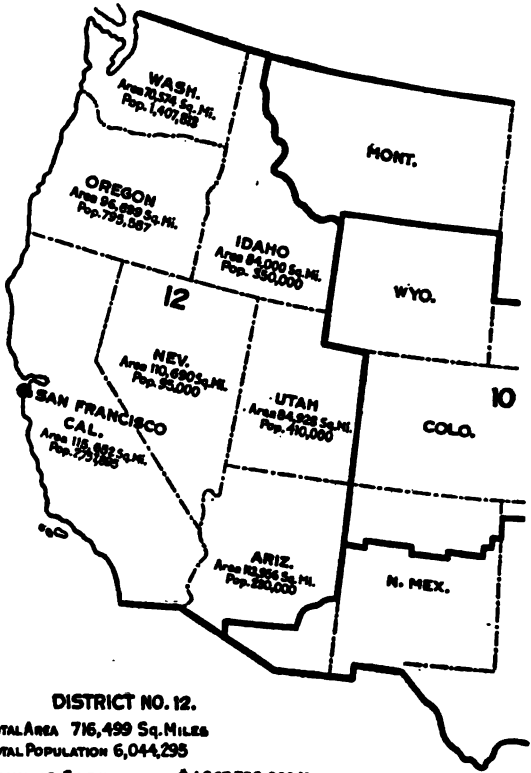
To members of collection system.....	\$216,110.00	\$70.87	\$190.70
To nonmembers of collection system.....	94,394.00	973.13	1,037.29
Total.....	310,504.00	98.70	262.85

Items received on—	Number.	Per cent.	Amount.	Per cent.
2-day points.....	2,272	72.2	\$193,304	62.2
4-day points.....	701	22.3	92,812	29.9
6-day points.....	84	2.7	18,344	5.9
8-day points.....	68	2.1	6,257	1.7
10-day points.....	21	.7	787	.3
Total.....	3,146	100.0	310,504	100.0

Collection system inaugurated Aug. 1.

EXHIBIT A.

Outline and area of district.



DISTRICT NO. 12.	
TOTAL AREA	716,499 Sq. Miles
TOTAL POPULATION	6,044,295
BANKING STRENGTH	\$ 1,965,755,000.00
NUMBER OF MEMBER BANKS	529
NUMBER OF STATE BANKS	1,197
TOTAL NUMBER OF BANKS	1,726

EXHIBIT B.

Rate of development in district in population and wealth, by States.

	Admitted into Union.	Area (square miles).	Population.					Assessed value of property.*			
			1870	1890	1900	1910	1915 ¹	1910	1911	1912	1913
Arizona.....	1912	113,956	9,653	88,243	122,931	204,354	230,000	836,000	863,000	\$140,000	\$375,893
California.....	1850	155,632	560,247	1,098,130	1,436,522	2,377,549	2,757,866	1,679,000	2,522,344	2,725,000	3,202,550
Idaho.....	1890	84,000	41,899	48,194	161,712	323,594	350,000	120,000	328,000	435,000	475,146
Nevada.....	1864	110,000	13,921	48,784	161,312	323,594	350,000	75,000	328,000	435,000	475,146
Oregon.....	1859	110,000	90,323	317,704	412,536	672,713	708,500	845,000	872,000	905,000	932,413
Utah.....	1894	84,928	86,736	217,779	273,749	372,351	410,000	845,000	144,000	200,000	214,859
Washington.....	1889	70,574	23,955	357,232	518,103	1,141,990	1,407,813	790,000	945,000	1,008,000	1,081,801
Total.....		716,499	829,059	2,316,433	2,020,478	5,177,478	6,044,295	3,693,000	5,042,344	5,680,000	6,294,891
San Francisco.....		43	149,473	298,997	342,752	416,912	448,502	3,515,420	545,064	510,420	647,230
Los Angeles.....		101	5,728	50,395	102,679	319,198	438,914	290,905	384,348	458,924	508,366
Portland.....		51	8,293	46,385	90,426	207,214	260,041	231,161	290,000	298,190	314,212
Tacoma.....		40	73	36,006	37,714	83,743	92,000	206,362	54,530	73,298	74,291
Seattle.....		85	1,107	42,837	80,671	237,194	313,039	211,837	211,837	210,929	215,075
Spokane.....		40	.....	19,922	36,846	104,402	135,457	85,619	92,309	91,824	98,090
Salt Lake.....		43	12,854	44,843	53,531	92,777	109,530	58,449	58,449	62,205	68,129

* Estimated.

* In thousand dollars only (000 omitted).

* Estimated by U. S. Census Bureau.

EXHIBIT C.
Value of chief products of Twelfth District.

[In thousand dollars (000 omitted). Items less than five million for district omitted.]

VALUE AT SOURCE OF PRODUCTION.

	Year.	Arizona.	California.	Idaho.	Nevada.	Oregon.	Utah.	Washing- ton.	Total.	Appropri- mate percentage for United States.
Wheat.....	1914	\$1,021	\$3,990	\$8,879	\$887	\$11,788	\$4,687	\$38,909	\$70,161	9.0
Oats.....	1914	750	3,982	4,836	307	5,787	1,654	8,700	22,125	5.0
Barley.....	1914	135	2,815	3,515	307	2,833	730	8,691	26,177	40.0
Potatoes.....	1914	135	7,245	2,530	1,092	2,682	4,154	19,687	49,687	11.8
Hay.....	1914	3,995	43,173	15,636	6,663	15,787	8,563	19,261	111,110	13.8
Hops.....	1909	.....	1,731	.....	.....	2,839	.....	6,655	11,233	.....
Beans and peas	1909	232	6,396	85	.....	89	16	126	6,894	30.0
Sugar-beet crops	1914	.....	6,145	1,311	.....	.....	2,705	.....	10,161	60.0
Vegetables.....	1909	379	6,887	1,008	294	2,449	641	2,988	14,693	.....
Deciduous fruits	1909	241	18,359	1,963	83	3,339	.....	4,274	27,830	.....
Grapes.....	1909	25	10,847	19	12	99	23	51	11,081	60.0
Oranges, lemons, and grapefruit	1913-14	.....	22,683	.....	.....	.....	.....	.....	22,683	.....
Domestic animals sold or slaughtered	1909	4,847	33,627	12,866	4,763	17,434	6,666	10,249	90,441	6.0
Dairy products.....	1909	1,188	23,371	2,487	667	6,916	2,315	9,932	46,856	.....
Poultry and eggs.....	1909	1,665	12,708	1,843	322	8,784	1,269	5,354	25,780	.....
Wool.....	1914	1,021	2,080	2,810	908	2,601	2,489	582	12,461	.....
Salmon pack ¹	1914	.....	157	.....	.....	3,707	.....	5,095	8,959	.....
Tuna pack ¹	1914	.....	5,000	.....	.....	.....	.....	5,000	5,000	.....
Timber.....	1909	1,419	45,000	10,699	508	30,200	977	80,155	177,943	19.0
Gold.....	1913	4,023	20,653	1,344	11,705	1,627	3,565	696	43,703	46.0
Silver.....	1913	2,364	813	6,033	9,718	1,108	7,903	200	27,189	67.0
Copper.....	1913	68,228	4,065	1,496	14,067	6	25,024	147	108,003	87.0
Lead.....	1913	710	183	13,966	719	3	7,809	9	22,919	61.0
Coal.....	1913	.....	28	6	.....	116	6,884	9,243	14,776	1.9
Petroleum.....	1913	.....	47,487	.....	.....	.....	.....	.....	47,487	19.2
Cement.....	1913	.....	6,553	.....	.....	.....	1,233	2,833	10,644	11.5
Manufactured products.....	1909	50,000	529,000	22,000	11,000	93,000	61,000	220,000	986,000	.....

¹ Subdivision by States estimated.

² Equal to only one-third the value of manufactured products of New York City.

EXHIBIT D.

Bank clearings, principal cities in Twelfth District.

[In millions only (000,000 omitted).]

	1905	1910	1912	1913	1914	1915 (11 months).		1905	1910	1912	1913	1914	1915 (11 months).
San Francisco.....	\$1,834	\$2,323	\$2,677	\$2,624	\$2,516	\$2,432	Oakland.....	.....	\$157	\$192	\$188	\$178	\$164
Los Angeles.....	478	811	1,167	1,210	1,145	941	Sacramento.....	.....	69	92	108	103	91
	1906.						Fresno.....	.....	37	51	57	53	.....
Portland.....	281	517	596	627	677	506	San Diego.....	.....	64	131	124	103	90
Seattle.....	.....	560	602	644	627	.....	Pasadena.....	.....	40	47	47	43	.....
Spokane.....	.....	241	225	210	203	.....	Stockton.....	.....	32	45	45	47	.....
Salt Lake City.....	211	327	369	333	314	174	San Jose.....	.....	27	35	35	36	.....
						1,323	Bakersfield (organized 1912).....	.....	.....	.....	23	23	.....

¹ Up to and including Dec. 9.

* NOTE.—Only part of the above figures have been furnished directly by the clearing houses of the respective cities.

EXHIBIT E.—*Banking power of the Twelfth District.*

[In thousand dollars (000 omitted).]

State.....	Arizona.		California.		Idaho.		Nevada.		Oregon.		Utah.		Washington.		Total district.	
	National.	State.	National.	State.	National.	State.	National.	State.	National.	State.	National.	State.	National.	State. ¹	National.	State.
Supervision.....	7	47	206	403	58	124	10	21	86	176	23	91	78	276	528	1,197
Number.....																
Date of report (1915).....	Nov. 10.	Mar. 4.	Nov. 10.	Oct. 16.	Nov. 10.	Nov. 10.	Nov. 10.	June 22.	Nov. 10.	Sept. 2.	Nov. 10.	Nov. 21.	Nov. 10.	Sept. 2.	Nov. 10.	.....
ASSETS.																
Loans and discounts.....	\$4,708	\$12,788	\$272,514	\$472,236	\$19,163	\$15,261	\$5,481	\$7,468	\$52,402	\$34,418	\$19,778	\$35,147	\$96,788	\$98,487	\$440,824	\$946,804
Stocks, bonds, warrants, and other securities.....	2,004	2,403	96,208	126,480	6,155	1,481	2,283	1,140	19,046	7,972	7,628	4,811	21,370	21,162	154,536	165,399
Banking house furniture and fixtures and other real estate.....	381	1,013	14,094	33,004	1,440	1,690	842	590	3,486	2,765	1,040	2,386	4,188	14,888	24,981	55,681
Cash means.....	2,594	6,972	177,869	116,978	10,232	6,849	2,574	3,544	26,803	16,160	11,854	10,875	37,332	26,423	295,778	186,600
Other assets.....	62	163	13,795	3,826	389	40	136	220	548	1,153	207	875	861	1,408	15,967	7,210
Total assets.....	9,744	23,369	574,470	752,470	37,399	25,221	10,755	12,962	101,785	61,468	40,397	53,344	130,509	131,860	905,069	1,060,694
LIABILITIES.																
Capital.....	760	2,344	53,148	62,260	3,620	3,412	1,435	1,694	10,631	8,535	3,355	8,279	11,455	12,917	89,474	98,441
Surplus and undivided profits.....	510	1,413	44,783	47,590	2,221	1,271	403	684	6,385	4,032	2,159	3,735	6,522	5,794	38,526	48,210
Due to banks.....	795	(²)	105,789	14,204	2,675	816	968	74	5,444	2,447	7,879	3,086	16,202	4,419	145,742	26,049
Deposits:																
Demand.....	6,345	19,191	262,372	146,637	20,480	15,879	5,435	5,534	50,130	28,034	17,169	17,292	59,170	104,998	421,121	335,476
Time.....	247	(¹)	48,118	480,882	5,223	3,444	1,280	4,940	17,044	18,230	6,476	16,366	29,115	(¹)	108,423	525,846
Reductions and money borrowed.....	140	421	42,249	2,621	2,598	349	1,271	1,875	1,767	3,221	3,221	3,221	3,094	2,644	5,540	7,802
Circulation outstanding.....	655	.....	9,979	2,976	15	50	2	56	6,117	423	41	7,670	6,997	88	63,098	11,243
Other liabilities.....	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total liabilities.....	9,743	23,369	574,470	752,470	37,399	25,221	10,755	12,962	101,785	61,468	40,397	53,344	130,509	131,860	905,069	1,060,694

¹ Includes trust companies.² Included in individual deposits.³ Includes money borrowed.

EXHIBIT F.

Seasonal demand for loans and prevailing interest rates.

	Seasonal demand.	Used for—	Rate.
Arizona.....	September, October, November, December.	Cattle business.....	8
California:			
Imperial Valley.....	Spring and early fall.....	Alfalfa, dairying, cotton, cantaloupes.	8-10
San Diego.....	February to June.....	Lemons, mercantile.....	7-10
Los Angeles and adjacent counties.	Continuous.....	Dairying, sugar beets, alfalfa, oranges, lemons, walnuts, beans.	5-8
San Joaquin Valley.....	Spring and late autumn.....	Live stock, grain, grapes, peaches, apricots, alfalfa.	6-10
San Francisco.....	Highest peak November; local demand uniform.	Taxes, mercantile business....	5-8
Sacramento Valley.....	Spring and late summer.....	Hops, alfalfa, grain, grapes, small fruit, live stock.	6-7
Northern California.....	Early summer and fall.....	Live stock, grain, dairying, lumbering.	6-10
Idaho:			
Southern.....	February to June.....	Alfalfa, live stock, wool, grain..	6-10
Eastern.....	July, August, September.....	Live stock, wool, grain.....	10
Northern.....	February to June.....	Live stock, lumber.....	10-12
Nevada.....	Fall of year.....	Live stock.....	6-8
Oregon:			
Coast.....	Fall.....	Lumber, fish packers.....	6-8
Southern.....	August and September.....	Agriculture, live stock.....	6-8
Columbia River Valley...	September to January and spring.	Live stock, grain, lumber, wool, apples.	6-8
Willamette Valley.....	August to November.....	Apples, hops, dairying, grain..	6-8
Eastern.....	Late summer and fall.....	Grain, live stock.....	8-10
Utah:			
Central and northern.....	Spring and fall.....	Sugar beets, hay, grain, fruit, live stock.	8-10
Balance of State.....	January to April.....	Live stock.....	8-12
Washington:			
Eastern.....	Late summer and fall.....	Grain, live stock.....	6-8
Western.....	Spring and fall.....	Live stock, lumber, fish canneries.	6-8

EXHIBIT G.

Effect upon income of member banks by establishing Federal Reserve System.

Country bank:			
Old system—			
Deposits.....	\$100,000		
Reserve.....	15,000		
Loanable.....	85,000, at 6 per cent....	\$5,100	
Of reserve.....	9,000, at 2 per cent....	180	
			\$5,280
New system—			
Deposits.....	100,000		
Reserve.....	12,000		
Loanable.....	88,000, at 6 per cent....		5,280
Reserve city bank:			
Old system—			
Deposits.....	100,000		
Reserve.....	25,000		
Loanable.....	75,000, at 6 per cent....	4,500	
Of reserve.....	12,500, at 2 per cent....	250	
			4,750
New system—			
Deposits.....	100,000		
Reserve.....	15,000		
Loanable.....	85,000, at 6 per cent.....		5,100
Gain under new system.....			350
Central reserve city bank:			
Old system—			
Deposits.....	100,000		
Reserve.....	25,000		
Loanable.....	75,000, at 6 per cent.....		4,500
New system—			
Deposits.....	100,000		
Reserve.....	18,000		
Loanable.....	82,000		
Gain under new system.....			

This takes no account of permission under old system to include 5 per cent redemption fund in reserve, and in computing amount against which reserve was required, to deduct national-bank notes from deposits. But to offset this, no account is taken of the fact that under the new system only 5 per cent reserve is required against time deposits.

EFFECT UPON INCOME BY INVESTMENT IN CAPITAL OF FEDERAL RESERVE BANK.

Loans and investments of member banks in twelfth district approximate \$600,000,000. One-half the subscribed capital of Federal Reserve Bank of San Francisco, called for payment, approximates \$4,000,000; that is, two-thirds of 1 per cent of the investments.

Old system, loans.....	\$100,000, at 6 per cent.....	\$6,000
New system.....	99,333, at 6 per cent.....	5,960
Two-thirds of 1 per cent.....	.667	Loss..... 40

Aide from dividends, assuming equal deposits, the gain in income of central reserve city and reserve city banks, as shown in the foregoing, would greatly exceed the loss because of investment in capital of Federal Reserve Bank. Country banks would gain in power to increase loans by reason of reduction of 5 per cent of reserve required against time deposits. In any event, an increase of loans to the extent of two-thirds of 1 per cent would offset the loss of income because of capital investment regardless of dividends, which will be earned in due time and are cumulative.

EXHIBIT H.

BY-LAWS, FEDERAL RESERVE BANK OF SAN FRANCISCO.

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every first and third Tuesday of each month at 11.30 o'clock a. m., or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least six days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least three days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors; the members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of its committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. Powers.—Subject to the supervision and control of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. Federal Reserve Agent.—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. Deputy Federal Reserve Agent.—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the Deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. The governor.—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. The deputy governor.—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tempore. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. The secretary.—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall open for business from 10 o'clock to 3 o'clock on each day except Sundays or days or parts of days established as legal holidays, and on Saturdays from 10 o'clock to 12 o'clock.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

EXHIBIT I.

Discount rates.

Regular paper.	Not exceeding 10 days.	Over 10 and not exceeding 30 days.	Over 30 and not exceeding 60 days.	Over 60 and not exceeding 90 days.	Over 90 days.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16, 1914.....	6	6	6½	6½	6½
Dec. 2, 1914.....	5½	5½	6	6	6
Dec. 15, 1914.....	5	5	5½	6	6
Dec. 31, 1914.....	4½	4½	5½	6	6
Jan. 8, 1915.....	4	4	5	5½	6
Jan. 22, 1915.....	4	4	4	4½	6
May 8, 1915.....	3½	3½	4	4½	6
June 26, 1915 ¹	3	3½	4	4½	6

Commodity paper.	Not exceeding 30 days.	Over 30 and not exceeding 60 days.	Over 60 and not exceeding 90 days.	Over 90 days and not exceeding 6 months.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Sept. 24, 1915 ¹	3½	4	4½	5

Trade acceptances. ¹	Not exceeding 60 days.	Over 60 and not exceeding 90 days.
	<i>Per cent.</i>	<i>Per cent.</i>
Aug. 5, 1915.....	3	3½

¹ Rates in effect Nov. 30, 1915.

EXHIBIT J.

Banks in twelfth district granted special permits by the Federal Reserve Board to act as trustee, executor, administrator, registrar of stocks and bonds.

City.	State.	Bank.	Nature of power granted.
Calexico.....	California.....	First National.....	Registrar of stocks and bonds.
Los Angeles.....	do.....	Continental National.....	Do.
Oakland.....	do.....	Central National.....	Do.
Pleasanton.....	do.....	First National.....	Do.
Visalia.....	do.....	do.....	Do.
Wilmington.....	do.....	do.....	Do.
Fullerton.....	do.....	Farmers & Merchants.....	Do.
San Francisco.....	do.....	Bank of California, National Association. ¹	Trustee, executor, administrator, registrar of stocks and bonds.
Tonopah.....	Nevada.....	Nevada First National.....	Registrar of stocks and bonds.
Harrisburg.....	Oregon.....	First National.....	Trustee, executor, administrator.
Junction City.....	do.....	do.....	Do.
Milton.....	do.....	do.....	Trustee, executor, administrator, registrar of stocks and bonds.
Ontario.....	do.....	do.....	Executor, administrator.
Pendleton.....	do.....	American National.....	Trustee, executor, administrator, registrar of stocks and bonds.
Do.....	do.....	First National.....	Do.
Portland.....	do.....	do.....	Do.
Ashland.....	do.....	do.....	Trustee.
Salt Lake City.....	Utah.....	Deseret National.....	Trustee, executor, administrator, registrar of stocks and bonds.
Mount Vernon.....	Washington.....	First National.....	Trustee, executor, administrator.
Seattle.....	do.....	Seattle National.....	Trustee, executor, administrator, registrar of stocks and bonds.
Vancouver.....	do.....	Vancouver National.....	Do.
Bellingham.....	do.....	Bellingham National.....	Do.
Seattle.....	do.....	National Bank of Commerce.	Do.

¹ All powers in branch banks. Registrar of stocks and bonds in California.

EXHIBIT K.

Banks in twelfth district granted permission by Federal Reserve Board to accept drafts or bills of exchange up to 100 per cent of capital and surplus.

City.	Bank.	Capital and surplus.
San Francisco.....	Bank of California, National Association.....	\$15,000,000
Do.....	Wells Fargo Nevada National.....	9,500,000
Do.....	First National Bank.....	4,500,000
Do.....	Crocker National Bank.....	4,000,000
Do.....	Anglo & London Paris National.....	5,500,000
Portland.....	First National Bank.....	2,500,000

EXHIBIT L.

EXCHANGE CHARGES IN TWELFTH DISTRICT.

1. Rates for all points specified in this report are subject to variations in rate due to special arrangements between banks.
2. In general country banks clear their items through their city correspondents without paying any charges for exchange.
3. Country banks, quite generally, make charges for exchange.
4. Banks in this district, quite generally, charge exchange for checks received from further east.
5. Banks in this district do not find it necessary to pay exchange in clearing checks drawn upon points further east.

	Checks bearing eastern indorsements (per 100).	Checks indorsed by Pacific coast points (per 100).
	<i>Cents.</i>	<i>Cents.</i>
Arizona.....	25	25
California:		
San Diego.....	10	5
Los Angeles ¹	10	5
San Francisco.....	(²)	(²)
Sacramento.....	10	5
California—		
Outside southern.....	10	5
Outside central.....	10	5
Outside northern.....	10	10
Idaho.....	15	10
Nevada.....	15	10
Oregon:		
Portland.....	10	10
Oregon, outside.....	10	10
Utah:		
Salt Lake City.....	10	10
Utah, outside.....	³ 15	³ 15
Washington:	³ 12 ¹	³ 5-10
Spokane.....	³ 12 ¹	³ 12 ¹
Washington, outside.....	³ 12 ¹	³ 12 ¹

¹ Los Angeles makes no charge for checks drawn by railway and steamship companies, fruit and meat shippers, and fruit and meat packers.

² No uniform rates, each bank entering into special agreement with eastern correspondents for collection of checks on Pacific coast.

³ And up.

EXHIBIT M.

Principal items in reports of conditions to Comptroller of Currency, Nov. 10, 1915, by member banks in Twelfth District, and abstract of exchange, losses, and earning accounts for 3 years.

[In thousands only (000 omitted). Classification of banks by total resources.]

Items.	To \$100,000.	\$100,001 to \$200,000.	\$200,001 to \$300,000.	\$300,001 to \$500,000.	\$500,001 to \$2,500,000.	\$2,500,001 to \$20,000,000.	\$20,000,001 and over.	Total for district.
Capital, surplus, and undivided profits.....	3306	32,124	48,897	\$8,075	\$87,089	\$45,659	\$55,657	\$152,887
Time deposits.....	559	6,302	12,223	23,720	107,741	143,776	127,431	420,752
Money borrowed.....	27	1,443	2,633	6,473	26,652	46,696	21,459	106,413
Loans and discounts.....	36	164	241	774	2,509	400	.....	4,124
Bonds, securities, etc.....	640	5,580	11,177	23,784	111,314	151,362	137,014	440,821
Loans eligible for re- discount with Fed- eral Reserve.....	32	711	1,903	4,118	4,012	32,030	18,968	61,794
Drafts or bills of ex- change payable to the institution or the institution to acceptation of goods accepted under sec- tion 13 Federal Re- serve Act.....	154	1,018	1,991	2,735	19,783	28,524	30,789	84,994
Liabilities of officers and directors.....	.....	.....	7	3	12	41	39	108
Interest on time de- posits.....	40	384	604	1,036	4,817	5,606	1,210	13,797
Interest on time de- posits.....	10	138	192	429	1,936	2,500	1,673	6,898
Interest on time de- posits.....	41	6	7	41	6	4	4	.....
Average.....	43	41	44	4	4	4	4	.....

1 Highest individual rate recorded.

2 Average of maximum rates recorded.

Principal items in reports of conditions to Comptroller of Currency, Nov. 10, 1915, by member banks in Twelfth District, and abstract of exchange, losses, and earning accounts for 3 years—Continued.

Items.	To \$100,000.			\$100,001 to \$200,000.			\$200,001 to \$300,000.			\$300,001 to \$500,000.			\$500,001 to \$2,500,000.			\$2,500,001 to \$20,000,000.			\$20,000,001 and over.			Total for district.		
	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914
Data covering 3 years.																								
Abstract of banks' exchange and collection account:																								
Credit.....	1	2	2	26	30	28	24	24	24	85	87	83	188	185	180	525	522	522	2,261	1,996	1,454	3,111	2,879	2,295
Debit.....	.....	.....	.....	1	10	8	.....	.....	.....	16	16	17	12	10	15	144	162	163	2,023	1,761	1,106	2,196	1,961	1,311
Difference.....	1	2	2	25	20	20	24	24	24	69	71	66	176	175	165	381	390	359	238	235	348	915	918	964
Losses sustained by banks from loans to borrowers other than banks:																								
Nondepositaries.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	9	8	10	15	50	58	37	85	37	99	140	142	161	235	296
Other loans and discounts.....	2	1	3	10	7	8	50	61	57	35	91	152	568	565	545	704	902	1,039	130	415	869	1,500	2,042	2,673
Total losses.....	2	1	3	10	7	8	52	61	58	44	99	162	583	615	603	741	939	1,124	229	565	1,011	2,277	2,969	
Total net earnings and profits, dividends paid, and surplus earnings:																								
Earnings and profits after deduction of expenses and losses.....	2	.....	3	91	107	114	328	336	321	686	696	642	3,423	3,462	3,278	4,465	3,653	3,869	8,752	8,853	8,332	12,766	12,107	11,559
Dividend paid.....	.....	.....	.....	52	74	68	190	207	197	299	506	439	2,306	2,580	2,375	3,005	3,586	2,776	2,845	2,950	3,015	9,300	9,887	8,870
Net or surplus earnings.....	2	.....	3	39	33	46	138	129	124	387	190	203	1,123	882	903	800	84	1,093	907	903	317	3,456	222	2,689

DIRECTORY OF THE FEDERAL RESERVE BOARD AND OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD.

EX OFFICIO MEMBERS.

WILLIAM G. McADOO,
Secretary of the Treasury.
Chairman.

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

FRANK S. HANCOCK, Governor.
FREDERICK A. TILMAN, Treasurer.
PAUL M. WALKER
W. P. G. HARRING
ANDREW C. MURDER

H. PARKER WELLS, Secretary.
STEPHEN ALLEN, Assistant Secretary.

M. C. ELLIOTT, Counselor.

OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS.

DISTRICT NO. 1—FEDERAL RESERVE BANK OF BOSTON.

[Frederic H. Curtiss, chairman and Federal Reserve Agent. Walter S. Hackney, deputy chairman and deputy reserve agent. Alfred L. Allen, governor.]

Class.	Name.	Residence.	Term expires.
A.....	T. P. Beal.....	Boston, Mass.....	Dec. 31, 1917
	C. G. Sanford.....	Bridgeport, Conn.....	Dec. 31, 1916
	A. M. Heard.....	Manchester, N. H.....	Dec. 31, 1915
B.....	Chas. A. Morse.....	Boston, Mass.....	Dec. 31, 1917
	E. B. Morse.....	Proctor, Vt.....	Dec. 31, 1916
	Chas. G. Washburn.....	Worcester, Mass.....	Dec. 31, 1915
C.....	Frederic H. Curtiss.....	Worcester, Mass.....	Dec. 31, 1917
	Walter S. Hackney.....	Boston, Mass.....	Dec. 31, 1916
	Allen Holts.....	Providence, R. I.....	Dec. 31, 1915
		Concord, N. H.....	Dec. 31, 1915

DISTRICT NO. 2—FEDERAL RESERVE BANK OF NEW YORK.

[Pierre Jay, chairman and Federal Reserve Agent. George F. Peabody, deputy chairman and deputy reserve agent. Benjamin Strong, jr., governor.]

Class.	Name.	Residence.	Term expires.
A.....	William Woodward.....	New York, N. Y.....	Dec. 31, 1916
	R. H. Treman.....	Ithaca, N. Y.....	Dec. 31, 1917
	F. D. Locke.....	Buffalo, N. Y.....	Dec. 31, 1915
B.....	H. R. Towne.....	New York, N. Y.....	Dec. 31, 1916
	W. B. Thompson.....	Yonkers, N. Y.....	Dec. 31, 1917
	L. R. Palmer.....	Croton-on-Hudson, N. Y.....	Dec. 31, 1915
C.....	Pierre Jay.....	New York, N. Y.....	Dec. 31, 1916
	George F. Peabody.....	New York, N. Y.....	Dec. 31, 1915
	Charles Starek.....	Lake George, N. Y.....	Dec. 31, 1917
		New York, N. Y.....	Dec. 31, 1915

Officers and Directors of Federal Reserve Banks—Continued.

DISTRICT NO. 3.—FEDERAL RESERVE BANK OF PHILADELPHIA.

[Richard L. Austin, chairman and Federal Reserve Agent. George W. Norris, deputy chairman and deputy reserve agent. Charles J. Rhoads, governor.]

Class.	Name.	Residence.	Term expires.
A.....	C. J. Rhoads.....	Philadelphia, Pa.....	Dec. 31, 1917
	W. H. Peck.....	Scranton, Pa.....	Dec. 31, 1918
	M. J. Murphy.....	do.....	Dec. 31, 1919
B.....	A. B. Johnson.....	Philadelphia, Pa.....	Do.
	E. S. Stuart.....	do.....	Dec. 31, 1917
	G. W. F. Gaunt.....	Mullica Hill, N. J.....	Dec. 31, 1918
C.....	Richard L. Austin.....	Philadelphia, Pa.....	Dec. 31, 1917
	George W. Norris.....	do.....	Dec. 31, 1918
	Vance C. McCormick.....	Harrisburg, Pa.....	Dec. 31, 1919

DISTRICT NO. 4.—FEDERAL RESERVE BANK OF CLEVELAND.

[D. C. Wills, chairman and Federal Reserve Agent. Lyman H. Treadway, deputy chairman and deputy reserve agent. E. R. Fancher, governor.]

Class.	Name.	Residence.	Term expires.
A.....	Robert Wardrop.....	Pittsburgh, Pa.....	Dec. 31, 1917
	W. S. Rowe.....	Cincinnati, Ohio.....	Dec. 31, 1918
	S. B. Rankin.....	South Charleston, Ohio.....	Dec. 31, 1919
B.....	T. A. Combs.....	Lexington, Ky.....	Dec. 31, 1917
	C. H. Bagley.....	Corry, Pa.....	Dec. 31, 1918
	John Stambaugh.....	Youngstown, Ohio.....	Dec. 31, 1919
C.....	D. C. Wills.....	Bellevue, Pa.....	Dec. 31, 1917
	Lyman H. Treadway.....	Cleveland, Ohio.....	Dec. 31, 1918
	H. P. Wolfe.....	Columbus, Ohio.....	Dec. 31, 1919

DISTRICT NO. 5.—FEDERAL RESERVE BANK OF RICHMOND.

[William Ingle,¹ chairman and Federal Reserve Agent. James A. Moncure, deputy chairman and deputy reserve agent. George J. Seay, governor.]

Class.	Name.	Residence.	Term expires.
A.....	H. B. Wilcox.....	Baltimore, Md.....	Dec. 31, 1918
	J. F. Bruton.....	Wilson, N. C.....	Dec. 31, 1919
	Edwin Mann.....	Bluefield, W. Va.....	Dec. 31, 1917
B.....	Edmund Strudwick.....	Richmond, Va.....	Dec. 31, 1918
	D. R. Coker.....	Hartsville, S. C.....	Dec. 31, 1917
	J. F. Oyster.....	Washington, D. C.....	Dec. 31, 1919
C.....	James A. Moncure.....	Richmond, Va.....	Dec. 31, 1918
	M. F. H. Gouverneur.....	Wilmington, N. C.....	Dec. 31, 1919

¹ Resigned Feb. 12, 1916.

DISTRICT NO. 6.—FEDERAL RESERVE BANK OF ATLANTA.

[M. B. Wellborn, chairman and Federal Reserve Agent. Edward T. Brown, deputy chairman and deputy reserve agent. Joseph A. McCord, governor.]

Class.	Name.	Residence.	Term expires.
A.....	L. P. Hillyer.....	Macon, Ga.....	Dec. 31, 1918
	F. W. Foote.....	Hattiesburg, Miss.....	Dec. 31, 1919
	W. H. Toole.....	Winder, Ga.....	Dec. 31, 1917
B.....	P. H. Saunders.....	New Orleans, La.....	Do.
	J. A. McCrary.....	Decatur, Ga.....	Dec. 31, 1917
	W. H. Hartford.....	Nashville, Tenn.....	Dec. 31, 1918
C.....	M. B. Wellborn.....	Anniston, Ala.....	Dec. 31, 1917
	Edward T. Brown.....	Atlanta, Ga.....	Dec. 31, 1918
	W. H. Kettig.....	Birmingham, Ala.....	Dec. 31, 1919

Officers and Directors of Federal Reserve Banks—Continued.

DISTRICT NO. 7.—FEDERAL RESERVE BANK OF CHICAGO.

[Charles H. Bosworth, chairman and Federal Reserve Agent. W. L. McLallen, deputy chairman and deputy reserve agent. James B. McDougal, governor.]

Class.	Name.	Residence.	Term expires.
A.....	Geo. M. Reynolds.....	Chicago, Ill.....	Dec. 31, 1918
	J. B. Forgan.....	do.....	Dec. 31, 1916
	E. L. Johnson.....	Waterloo, Iowa.....	Dec. 31, 1917
B.....	Henry B. Joy.....	Detroit, Mich.....	Dec. 31, 1916
	M. B. Hutchison.....	Ottumwa, Iowa.....	Dec. 31, 1917
	A. H. Vogel.....	Milwaukee, Wis.....	Dec. 31, 1918
C.....	Charles H. Bosworth.....	Chicago, Ill.....	Dec. 31, 1916
	W. L. McLallen.....	Columbia City, Ind.....	Dec. 31, 1917
	E. T. Meredith.....	Des Moines, Iowa.....	Dec. 31, 1918

DISTRICT NO. 8.—FEDERAL RESERVE BANK OF ST. LOUIS.

[William McC. Martin, chairman and Federal Reserve Agent. T. C. Tupper, deputy chairman and deputy reserve agent. Rolla Wells, governor.]

Class.	Name.	Residence.	Term expires.
A.....	Walker Hill.....	St. Louis, Mo.....	Dec. 31, 1917
	F. O. Watts.....	do.....	Dec. 31, 1918
	Oscar Fenley.....	Louisville, Ky.....	Dec. 31, 1916
B.....	David C. Biggs.....	St. Louis, Mo.....	Dec. 31, 1918
	W. B. Plunkett.....	Little Rock, Ark.....	Dec. 31, 1916
	Leroy Percy.....	Greenville, Miss.....	Dec. 31, 1917
C.....	W. McC. Martin.....	St. Louis, Mo.....	Dec. 31, 1918
	T. C. Tupper.....	do.....	Dec. 31, 1916
	John W. Boehne.....	Evansville, Ind.....	Dec. 31, 1917

DISTRICT NO. 9.—FEDERAL RESERVE BANK OF MINNEAPOLIS.

[John H. Rich, chairman and Federal Reserve Agent. Wm. H. Lightner, deputy chairman and deputy reserve agent. Theodore Wold, governor.]

Class.	Name.	Residence.	Term expires.
A.....	E. W. Decker.....	Minneapolis, Minn.....	Dec. 31, 1916
	L. B. Hanna.....	Fargo, N. Dak.....	Dec. 31, 1917
	J. C. Bassett.....	Aberdeen, S. Dak.....	Dec. 31, 1918
B.....	F. R. Bigelow.....	St. Paul, Minn.....	Dec. 31, 1916
	F. P. Hixon.....	La Crosse, Wis.....	Dec. 31, 1918
	N. B. Holter.....	Helena, Mont.....	Dec. 31, 1917
C.....	John H. Rich.....	Red Wing, Minn.....	Do.
	Wm. H. Lightner.....	St. Paul, Minn.....	Dec. 31, 1918
	John W. Black.....	Houghton, Mich.....	Dec. 31, 1916

DISTRICT NO. 10.—FEDERAL RESERVE BANK OF KANSAS CITY.

[Chas. M. Sawyer, chairman and Federal Reserve Agent. F. W. Fleming, deputy chairman and deputy reserve agent. J. Z. Miller, jr., governor.]

Class.	Name.	Residence.	Term expires.
A.....	J. C. Mitchell.....	Denver, Colo.....	Dec. 31, 1918
	W. J. Bailey.....	Atchison, Kans.....	Dec. 31, 1916
	C. E. Burnham.....	Norfolk, Nebr.....	Dec. 31, 1917
B.....	M. L. McClure.....	Kansas City, Mo.....	Dec. 31, 1916
	T. C. Byrne.....	Omaha, Nebr.....	Dec. 31, 1918
	L. A. Wilson.....	El Reno, Okla.....	Dec. 31, 1917
C.....	Chas. M. Sawyer.....	Kansas City, Mo.....	Do.
	F. W. Fleming.....	do.....	Dec. 31, 1916
	R. H. Malone.....	Denver, Colo.....	Dec. 31, 1918

Officers and Directors of Federal Reserve Banks—Continued.

DISTRICT NO. 11.—FEDERAL RESERVE BANK OF DALLAS.

[W. F. Ramsey, chairman and Federal Reserve Agent. W. B. Newsome, deputy chairman and deputy reserve agent. R. L. Van Zandt, governor.]

Class.	Name.	Residence.	Term expires.
A.....	J. T. Scott.....	Houston, Tex.....	Dec. 31, 1914
	E. K. Smith.....	Shreveport, La.....	Dec. 31, 1917
	B. A. McKinney.....	Durant, Okla.....	Dec. 31, 1916
B.....	Marion Sansom.....	Fort Worth, Tex.....	Do.
	Frank Kell.....	Wichita Falls, Tex.....	Dec. 31, 1918
	J. J. Culbertson.....	Paris, Tex.....	Dec. 31, 1917
C.....	W. F. Ramsey.....	Dallas, Tex.....	Do.
	W. B. Newsome.....	do.....	Dec. 31, 1915
	Felix Martinez.....	El Paso, Tex.....	Dec. 31, 1916

DISTRICT NO. 12.—FEDERAL RESERVE BANK OF SAN FRANCISCO.

[John Perrin, chairman and Federal Reserve Agent. Walton N. Moore, deputy chairman and deputy reserve agent. Archibald Kaine, governor.]

Class.	Name.	Residence.	Term expires.
A.....	C. K. McIntosh.....	San Francisco, Cal.....	Dec. 31, 1916
	J. K. Lynch.....	do.....	Dec. 31, 1917
	Alden Anderson.....	Sacramento, Cal.....	Dec. 31, 1918
B.....	A. B. C. Dohrman.....	San Francisco, Cal.....	Dec. 31, 1917
	J. A. McGregor.....	do.....	Dec. 31, 1915
	E. H. Cox.....	Madera, Cal.....	Dec. 31, 1916
C.....	John Perrin.....	Pasadena, Cal.....	Dec. 31, 1917
	Claude Gatch.....	San Francisco, Cal.....	Dec. 31, 1916
	Walton N. Moore.....	do.....	Dec. 31, 1915

FEDERAL ADVISORY COUNCIL.

Daniel O. Wing, representing district No. 1, president First National Bank, Boston.

J. P. Morgan, representing district No. 2, J. P. Morgan & Co., New York.

L. L. Rue, representing district No. 3, president Philadelphia National Bank, Philadelphia.

W. S. Rowe, representing district No. 4, president First National Bank, Cincinnati; director Federal Reserve Bank of Cleveland.

J. W. Norwood, representing district No. 5, president Norwood National Bank, Greenville, S. C.

Charles A. Lyerly, representing district No. 6, president First National Bank, Chattanooga.

James B. Forgan, representing district No. 7, president First National Bank, Chicago; director Federal Reserve Bank of Chicago.

O. T. Jaffray, representing district No. 9, first vice president First National Bank, Minneapolis.

E. F. Swinney, representing district No. 10, president First National Bank, Kansas City.

T. J. Record, representing district No. 11, president City National Bank, Paris, Tex.

Herbert Fleishacker, representing district No. 12, president Anglo and London, Paris National Bank, San Francisco, Cal.

NOTE.—Member of advisory council for district No. 8 not as yet selected.

INDEX.

	Page.
Advances to member banks against their secured promissory notes, proposed amendment to Act.....	22
Advisory Council, directory of.....	392
Amendments, proposed, to Federal Reserve Act.....	21, 22
Bank examiners, salaries of.....	191, 192
Bankers' Acceptances:	
Amounts outstanding.....	4
Amounts purchased monthly by each Federal Reserve Bank.....	72
Distribution, by maturities, of amounts purchased each month.....	73
Held by Federal Reserve Banks, distributed by classes of acceptors.....	48
Held by each Federal Reserve Bank on December 30, distributed by maturities.....	47
Branch Banks:	
Branches and agencies of Federal Reserve Banks.....	18
Branches of national banks in city or county where located, proposed amendment to Act.....	22
Business conditions in 1915.....	2
Changes in Federal Reserve districts.....	18, 114-120
Checks, clearing of.....	14
(See also Gold settlement fund.)	
Clearing question as a reserve problem, discussion of.....	15
Commercial paper:	
Amounts discounted each month by Federal Reserve Banks, distributed by maturities.....	66-69
Amounts held by each Federal Reserve Bank on December 30, distributed by maturities.....	47
Definition of.....	3
Held by Federal Reserve Agents.....	31
Number of member banks accommodated through discount of.....	71
Standardization of.....	10
Commodity paper:	
Amounts discounted each month by Federal Reserve Banks.....	70
Discount rates, effect of, on the movement and prices of cotton.....	8
Regulation and rates.....	8
Cotton crop, measures for facilitating movement of.....	7
Currency, seasonal movement of.....	8, 9
Directory of Federal Reserve Board and Federal Reserve Banks.....	389-392
Discount operations, by months.....	66-69
Discount policy of Federal Reserve Board.....	5
Discount rates, table showing.....	27-29
Domestic trade acceptances, proposed amendment to Act regarding.....	22
Earnings and expenses of Federal Reserve Banks.....	19, 87-95
Recapitulation of.....	95
Effect of Board's discount policy upon general level of discount and money rates.....	5, 6

	Page.
Expansion of credit.....	3
Expense and dividend requirements of Federal Reserve Banks.....	96
Export trade:	
Financing of.....	10
Growth of.....	2
Federal Advisory Council, expenses of.....	91
Federal Reserve Act, proposed amendments to.....	21, 22
Federal Reserve Agents' conferences, expenses of.....	91
Federal Reserve Agents' credit balances with Federal Reserve Board.....	82
Federal Reserve Agents, reports of. (See Reports of Federal Reserve Agents.)	
Federal Reserve bank notes, amounts received by Comptroller from Bureau of Engraving, issued and on hand.....	41
Federal Reserve Banks:	
Cost of furniture and equipment.....	92, 94
Designation as fiscal agents.....	6
Directory of.....	389-392
Earnings and expenses.....	19, 87-95
Management and salaries.....	20
Organization expenses of.....	92, 93
Paid-in capital, estimated expenses, and dividend requirements.....	96
Portion of funds to be kept employed to meet expenses and dividend requirements.....	95
Resources and liabilities, by ledger items and consolidated statement, for December 30, 1915.....	50-65
Resources and liabilities of, at close of business on last Friday of each month.....	45, 46
Salaries paid by.....	97-99
Federal Reserve Board:	
Amendments to Act proposed by.....	21, 22
Attitude of, toward financing foreign trade.....	2
Clearing question as a reserve problem, discussion of.....	15
Commercial paper and borrowing practices, efforts of Board to standardize..	10
Commodity paper rates, discussion of, by.....	8
Cotton crop movement, action taken by Board regarding.....	7
Discount policy of.....	5, 6
Federal Reserve Agents' credit balances with.....	82
Federal Reserve Districts, changes in, made by.....	18, 114-120
Personnel of.....	389
Foreign borrowing, attitude toward.....	9
Receipts and disbursements of.....	83-86
Reports of Federal Reserve Agents to.....	121-388
Reserve accounts of member banks with other banks, discussion of, by...	17
Reserve requirements for State banks and Trust Companies, recommendations of Board regarding.....	13, 14
Salaries of officers and employees of.....	100
States' attitude toward Federal Reserve System, discussion of, by.....	12-14
Federal Reserve Districts:	
Changes in.....	18, 114-120
Banks transferred from District No. 3 to No. 2.....	116-117
Banks transferred from District No. 11 to No. 10.....	118-119
Banks transferred from District No. 5 to No. 4.....	114
Counties transferred from District No. 3 to No. 2.....	117
Counties transferred from District No. 11 to No. 10.....	118
Map showing.....	120

Federal Reserve notes:	Page.
Amounts in hands of Federal Reserve Banks.....	32
Amounts issued by Federal Reserve Banks and in circulation.....	33
Amounts issued to Federal Reserve Banks.....	30
Amounts issued, retired, and outstanding, by denominations.....	36, 37
Amounts of, carried to net assets and to net liabilities.....	33, 34
Amounts printed and in circulation.....	17
Amounts received from Comptroller of Currency.....	30
By denominations—	
Chargeable to Federal Reserve Agent.....	38
Held by Federal Reserve Agent.....	39
Issued to Federal Reserve Bank.....	39
Printed, shipped to Federal Reserve Agents, and on hand in reserve vault.....	35, 36
Received by agents, issued to banks, returned for destruction, and on hand.....	38, 39
Received from Comptroller of Currency.....	38
Returned to agents by Federal Reserve Banks.....	38
Returned to Comptroller for destruction.....	39
Cost of.....	42, 92, 94
Gold reserve for, change of act recommended.....	17, 21, 22
Inter-district movement of.....	43, 44
Mutilated, received from Federal Reserve Agents for destruction.....	41
Federal Reserve System, relation to State banks and trust companies.....	11, 12
Fiduciary powers:	
Granting of, to member banks.....	12
Procedure in passing upon applications for.....	103
Suits to test constitutionality of section 11 (k) of the Act.....	12
Fiscal agents, banks designated as.....	6
Foreign borrowing, policy of the Board toward.....	9
Furniture and equipment of Federal Reserve Banks, cost of.....	92, 94
Gold and lawful money held by Federal Reserve Agents.....	31
Gold reserve for Federal Reserve notes, proposed amendment to Act.....	17, 21, 22
Gold Settlement Fund:	
Amount held by Federal Reserve Board.....	9
Deposits and withdrawals by Federal Reserve Banks.....	81
Effect on seasonal currency movement.....	8, 9
Government deposits transferred through.....	6, 7
Operation of.....	77-81
Summary of transactions.....	80
Government depositaries, Federal Reserve Banks designated as.....	6
Government deposits in Richmond, Atlanta, and Dallas Federal Reserve Banks.....	6
Governors' conferences, expenses of.....	91
Interest. (See Discount.)	
Intra-district clearings.....	14-17, 82
Compulsory versus voluntary.....	15, 16
Number of banks in system.....	16
Investment operations of Federal Reserve Banks.....	4
Loans on farm lands, proposed amendment to Act.....	22
Loans on improved and unencumbered real estate, proposed amendment to Act.....	22
Map showing changes in Federal Reserve districts.....	120
Member banks, number of, by districts, accommodated each month through discount of commercial paper.....	71
Money market, condition of.....	1

Municipal warrants:	Page
Amounts purchased monthly by each Federal Reserve Bank.....	75
Held by Federal Reserve Banks on Dec. 30, distributed by maturities....	45
National banks to be permitted to hold stock in banks organized for business in foreign countries, proposed amendment to Act.....	21
Officers and directors of Federal Reserve Banks, directory of.....	389-392
Open market operations.....	4
Receipts and disbursements of Federal Reserve Board.....	63-66
Reports of Federal Reserve Agents:	
District No. 1—Boston.....	123-149
Advisory Council, appointment of members of.....	127
Bankers' acceptances.....	130, 131, 135, 136
Amount purchased.....	130, 131
By-laws of bank.....	125-127
Class A and Class B directors, election of.....	135
Clearing of checks.....	131-134
Cooperation between Federal Reserve Banks.....	140
Credit needs of the district.....	139
Directors—	
Class A and Class B, election of.....	134
Meetings of.....	127
Discount rates.....	128
Effect of, on money rates.....	140
District problems.....	140
Earnings and expenses.....	140
Executive committee, meetings of.....	127
Federal Reserve notes issued, etc.....	129, 130
Fiduciary powers granted.....	137-140
Gold settlement fund.....	140
Government bonds purchased.....	140
Governor and Federal Reserve Agent, relations between.....	140
Industrial and agricultural situation.....	140
Internal organization of bank.....	140
Member banks, number of in district.....	136, 137
Municipal notes purchased.....	140
Open-market operations.....	130, 131
Opening of bank.....	123, 124
Personnel of bank.....	140
Publicity.....	140
Rediscounts.....	140
Relations with member banks.....	134, 140
State banks, attitude of, toward Federal Reserve System.....	140
Warrants, municipal, purchased.....	140
District No. 2—New York.....	151-154
Advisory Council, election of member of.....	153
American commodity prices, chart showing.....	153
Bank clearings in United States, chart showing.....	153
Bankers' acceptances—	
Amount purchased.....	165-167
Banks authorized to accept up to 100 per cent of capital and surplus.....	167
Banking and financial conditions.....	167
Branch banks.....	176
By-laws.....	167

Reports of Federal Reserve Agents—Continued

District No. 2—New York—Continued

	Page
Capital account reconciliation, appendix 2	155
Capital, payment of	155
Certificate of incorporation	155
Changes in district	155
Characteristics of Federal Reserve Bank at New York	155-157
Clearing-house cooperation	155
Clearing-house loan certificates	155
Clearing of checks	155, 156, 157-159
Commercial failures, charts showing	156
Crop statistics	156
Deposits of all national banks, charts showing	159
Deposits and loans of clearing-house banks	157
Chart showing	156
Designation of district	155
Directors—	
Election of	155, 156
Meetings of	156
Discount rates, establishment of	155-159
Eligibility of paper	155, 161
Emergency currency	161
Employment in New York State, percentage of, chart showing	156
Examination of bank	171
Executive committee, meetings of	152
Federal Reserve Agent's department, organization of	154
Federal Reserve notes	152-154, 156
Fiduciary powers granted	154, 157, 158
Fiscal agent, appointment as	170
Foreign banking conditions	152-155
Foreign exchange	152-155
Functions not yet developed	171
Gold imports and exports	156
Gold settlement fund	157
Summary of operations (appendix 10)	207
Grouping of banks on basis of total resources	173, 208
Idle car figures, chart showing	156
Immigration and emigration	192
Imports and exports	187-189
Gold	186
Industrial and commercial conditions	196
Intradistrict collection system	167-169
Investments, maturities of (appendix 7)	205
Iron production, chart showing	196
Loans to foreign countries	190
Loans on farm lands	176
Member banks—	
Number of, in district	172
Relations with	178-180
Money rates in New York City	189, 190
Chart showing	189
National Bank Section of American Bankers' Association	
Offices of the bank	

Reports of Federal Reserve Agents—Continued.

District No. 2—New York—Continued.

	Page
Opening of bank.....	153
Permanent organization.....	153, 154
Profit and loss.....	170, 204
Railroad earnings, chart showing.....	18
Rediscounts, applications for.....	161, 25
Reserves, transfer of.....	155, 156
State banks, relations with.....	151
State banks and trust companies, admission of.....	170
Statement of condition (appendices 2, 4).....	203, 204
Stock exchange, closing of.....	182
Subtreasury cooperation.....	154
Summary of results of operation.....	20
Time deposits and savings accounts.....	175
Transit and exchange transactions (appendix 9).....	205
Unfilled tonnage, United States Steel Corporation, chart showing....	18
United States bonds, purchase of.....	167
Warrants, purchase of.....	164, 167

District No. 3—Philadelphia.....

Appendices, list of.....	22
Auditor, work of.....	27
Bills discounted and bought (appendices 7, 8).....	18, 184
By-laws.....	18, 184
Classification of member banks according to resources (appendix 3)...	18
Clearing of checks.....	217, 18
Comparative statement showing proportion of invested funds to resources (appendix 11).....	18
Difficulties encountered.....	18
Discount rates.....	18
Earnings and expenditures.....	214, 18
Earnings, losses, and dividend rates of member banks.....	18
Federal Reserve Agent—	
Operation of office of.....	18
Statement of account of.....	18
Federal Reserve notes issued and destroyed (appendix 6).....	18
General banking and credit conditions.....	18
Investments, maturities of, each month (appendix 9).....	18
Officers and employees.....	211, 18
Organization of bank.....	18
Rediscount operations.....	18
Resources and liabilities.....	213, 214, 216, 18
Resources of national banks, trust companies, and state banks.....	212, 18
Statement of condition.....	213, 18
Statement of condition of member banks, showing relative growth (appendix 5).....	18
United States bonds, purchase of.....	217, 18
Warrants purchased.....	18

District No. 4—Cleveland.....

Business conditions.....	18
Clearing of checks.....	18
Cooperation with other Federal Reserve Banks.....	18
Directors, election of.....	18
Earnings and expenses.....	25, 18

Reports of Federal Reserve Agents—Continued.

District No. 4—Cleveland—Continued.	Page.
Federal Reserve Act, difficulties in administration of	238
Federal Reserve note issues	235
Fiduciary powers granted	237
Funds invested and earnings	233
Influence of bank on business and banking	232
Intradistrict clearings	236
Member banks—	
Number of, in district	234
Relations with	237
Official relations	236
Open-market operations	235
Organization of bank	231
Rediscounts with member banks	234, 235
Regulations, interpretation and operation of	238
State bank membership	237
District No. 5—Richmond	241-270
Business and agricultural conditions	245
Capital stock allotments (Exhibit J)	266
Capital stock paid in (Schedule A1)	252
Cash items in transit to other Federal Reserve Banks (Schedule A2) ..	248
Cash on hand (Schedule A1)	248
Clearing of checks	244, 270
Commodity paper handled (Exhibit M)	270
Credit needs of the district	246
Deposits (Schedule A5)	251
Discount rates	243, 262
Directors—	
Election of	241, 245
Meetings of	242
Dividend, payment of	243
Earnings on loans (Exhibit K)	267
Expenses, analysis of (Exhibit L)	268
Experiences in operation	242
Exhibits, list of	246
Federal Reserve notes	243
Issued, etc., chart showing	264
Receipts, redemptions, issues, and hypothecated collateral	265
Fiduciary powers, granting of	245
Improved banking practices	244
Investments purchased (Schedule A3)	249
Loans, daily average balances (Exhibit D)	258-261
Loans distributed as to member banks accommodated	263
Loans and discounts, analysis of (Schedule A4)	250
Loans and investments and unearned discounts (Schedule A6)	251
Member banks, relations with	244
Net deposits and reserves, chart showing (Exhibit G)	264
Opening of bank	241
Rediscounting operations	243
Statements of condition (Exhibits A and B)	247, 253-256
Time and demand deposits, interest on, reported by member banks (Exhibit C)	257
Undivided profits (Schedule A8)	252
Warrants purchased (Schedule A3)	249

Reports of Federal Reserve Agents—Continued.

	Page
District No. 6—Atlanta.....	271-280
Branch bank at New Orleans, establishment of.....	276
Business conditions.....	276
By-laws of bank.....	279-280
Clearing system.....	273
Credit needs of the district.....	277
Deputy Federal Reserve Agent, duties of.....	273
Deputy Governor, designation of director as.....	273
Directors, meetings of.....	273
Earnings of national banks in district.....	275
Fiduciary powers, granting of.....	275
Governor and Federal Reserve Agent, division of work.....	274
Internal organization of bank.....	272-273
Loans and discounts.....	274
Organization of bank.....	273
State banks, attitude of, toward system.....	275
District No. 7—Chicago.....	281-284
Business and banking conditions.....	281
Capital stock subscriptions.....	281
Check collection system.....	284-285
Comparative statement of investments.....	282
Directors—	
Election of class A and B.....	282
Meetings of.....	282
Discount operations.....	283, 284
Discount rates.....	283
Exchange and collection charges on checks.....	283
Federal Reserve Agents, meetings of.....	283
Federal Reserve note issue.....	282
Fiduciary powers granted.....	283
Fiscal agent, appointment as.....	283
Internal organization and personnel of bank.....	283
Member banks, attitude toward.....	283
Officers and directors of bank.....	283
Opening of bank.....	283
Open-market operations.....	283
Reserve required to be deposited, compared with balances.....	283
State bank membership.....	283
United States bond-secured currency.....	283
District No. 8—St. Louis.....	285-294
Bankers' acceptances purchased.....	285
Business and agricultural conditions.....	285
By-laws of bank.....	294, 295
Cash reserve and net deposits, chart showing (Exhibit G).....	285
Chart showing number of items and total clearings each month (Exhibit D).....	285
Check-clearing system.....	285
Chart showing operation of (Exhibit E).....	285
Commercial paper offered by member banks and accepted each week.....	285
Directors—	
Election of.....	285
Meetings of.....	285

Reports of Federal Reserve Agents—Continued.

District No. 8—St. Louis—Continued.	Page.
Discount rates.....	294, 295
Effect on rates in general.....	296
Federal reserve notes.....	301
Government bonds purchased.....	300
Investments.....	300
Investments held, chart showing (Exhibit F).....	311
New quarters.....	305
Officers and employees.....	293
Organization of bank.....	291
Rediscounts, amounts of.....	296-298
State bank membership.....	301, 302
Warrants purchased.....	301
Work throughout the district.....	304
District No. 9—Minneapolis.....	313-334
By-laws of bank.....	332-334
Clearing of checks.....	322, 329
Credit needs of the district.....	324
Directors—	
Election of.....	317, 326
Meetings of.....	318
Discount rates.....	319-321
Table showing.....	328
Earnings and expenses, table showing.....	328, 329
Exchange charges in district.....	322
Exchange operations.....	325
Executive committee, meetings of.....	318
Federal reserve notes issued, etc.....	321, 330, 331
Fiduciary powers, granting of.....	322, 323
Member banks, number of, in district.....	318
Maturities and short-term investments, distribution of.....	332
Operating difficulties.....	318
Organization of bank.....	310-318
Rediscounts, tables showing.....	327, 328
Relations with member banks.....	323
Summary of year's work.....	316
Vault, construction of.....	326
District No. 10—Kansas City.....	336-350
Assistance rendered by bank.....	341
Banking quarters.....	336
Business and agricultural conditions.....	341, 343
By-laws of the bank.....	341, 343
Changes in Federal Reserve district.....	340
Characteristics of bank.....	347
Clearing of checks.....	338, 342, 343, 347, 349
Condition of member banks, abstract of.....	340
Credit needs of the district.....	344
Deputy Federal Reserve Agent, duties of.....	340
Difficulties encountered in administration of Act and regulations.....	344
Directors—	
Election of.....	346
Meetings of.....	340

Reports of Federal Reserve Agents—Continued.

District No. 10—Kansas City—Continued.

	Page.
Discount rates.....	338
Earnings and expenses.....	343, 348
Exchange and collection charges on checks.....	342
Executive Committee, meetings of.....	337
Federal Reserve notes, issue of.....	338
Governor and Federal Reserve Agent, division of work.....	335
Internal organization and personnel.....	336
Member banks—	
Attitude of Federal Reserve Bank toward.....	340
Number of, in district.....	337
Officers of bank.....	335
Opening of bank.....	335
Open-market operations.....	338, 346
Rediscounting.....	338, 346
State banks, attitude of, toward Federal Reserve Bank.....	341
United States bonds purchased.....	346

District No. 11—Dallas.....	351-352
Changes in Federal Reserve district.....	353
Check clearance system.....	352
Cotton crop movement.....	354
Directors—	
Election of.....	353
Meetings of.....	354
Discount operations.....	352
Discount rates.....	354
Earnings over current expenses.....	352
Federal Reserve notes issued.....	353
Fiduciary powers granted.....	353
Gold settlement fund, balance in.....	352
Governor, resignation of.....	352
Officers and employees.....	353
Organization of bank.....	353
Purchase of bank building.....	353
Rates of exchange charged by banks in district.....	353
Rediscount operations.....	353
Relations with member banks.....	353
State bank membership.....	353

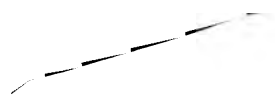
District No. 12—San Francisco.....	355
Bank clearings in principal cities.....	355
Banks granted permission to accept drafts or bills of exchange up to 100 per cent.....	355
Bankers' acceptances purchased.....	361
Banking power of district.....	355
Business conditions in district.....	355
By-laws of bank.....	352
Capital and deposits paid and estimated additional to be received.....	355
Check collection system.....	353
Exchange charges in district.....	355
Demand for loans and prevailing interest rates.....	355
Discount rates.....	356
Directors, meetings of.....	355

Reports of Federal Reserve Agents—Continued.

District No. 12—San Francisco—Continued.	Page.
Earnings and expenses of bank.....	361, 372, 373
Effect upon income of member banks by establishing Federal Reserve System.....	381
Exchange charges in district.....	386
Federal Reserve notes.....	363, 372
Fiduciary powers granted.....	364, 385
Gold settlement fund, summary of transactions.....	370, 371
Internal organization of bank.....	358
List of exhibits and tables.....	357
Map showing outline of district.....	376
Open-market transactions.....	361
Operations of the bank.....	359
Organization of bank.....	358
Population and wealth of district.....	377
Rediscounts.....	360
Classification of.....	367
Reserves held by member banks.....	359
Resources and liabilities.....	366
Staff and clerical force.....	358
State bank membership.....	364
Statement of condition.....	366
United States bonds purchased.....	361, 362, 369
Value of chief products of district.....	378
Warrants, municipal, purchased.....	361, 369
Reserve accounts of member banks with other banks, discussion of.....	17
Reserves:	
Amount of, held by reserve banks.....	11
Of member banks, transfer of second installment.....	11
Recommendation of the Board regarding reserve requirements for State Banks and Trust Companies.....	14
Reserve requirements, reduction of, for State banks and trust companies..	13
Summary of reserve requirements for State banks and trust companies..	104-113
Resources and liabilities of Federal Reserve Banks at close of business on last Friday of each month.....	45, 46
Resources and liabilities of Federal Reserve Banks, detailed statement of, for December 30, 1915.....	50-65
Salaries paid by Federal Reserve Board.....	100
Salaries paid by Federal Reserve Banks.....	97-99
Salaries paid national-bank examiners.....	101, 102
Savings deposit function of national banks, restrictions placed on, by State officers.....	12
State banks:	
Admission of, to system.....	13
Reserve requirements, reduction of.....	13
Summary of reserve requirements for.....	104-113
Statement in detail, showing condition of Federal Reserve Banks on December 30.....	50-65
States, attitude of, toward Federal Reserve System.....	11, 12
Total investment operations, by months, of each Federal Reserve Bank.....	76
Trade Acceptances, amounts discounted each month by Federal Reserve Banks.....	70
Trust companies, reduction of reserve requirements by States.....	13

United States bonds:	Page
Amounts held by Federal Reserve Banks on December 31, distributed by classes.....	49
Amounts purchased monthly by each Federal Reserve Bank.....	74
Two, three, and four purchased each month.....	74
Unification of the banking system.....	11
Warrants, municipal:	
Held by Federal Reserve Banks on December 31, distributed by classes..	49
Purchased monthly by each Federal Reserve Bank.....	75
Held by Federal Reserve Banks on December 30, distributed by maturi- ties.....	48





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